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Policy for Security and Peace

by Secretary Dulles¹

Since World War II, the United States has faced the difficult task of finding policies which would be adequate for security and peace and at the same time compatible with its traditions. Never before has a great nation been called upon to adjust its thinking and its action so radically in so short a period.

During the 19th century the maintenance of peace and order depended largely on Great Britain, with its Navy and the system of naval bases which enabled it to operate with mobility and flexibility throughout the world. By suitable commercial, investment, and monetary policies, Great Britain and other nations with surplus capital stimulated economic growth in underdeveloped areas. The French Revolution had aroused men to respect and promote human rights and fundamental freedoms. The United States also made its contribution. Our people devoted their energies largely to domestic matters, not because they lacked concern for others but believing that what our founders called "the conduct and example" of freedom would exert a liberating influence everywhere. In fact, it did so. The "great American experiment" was a source of hope and inspiration to men everywhere, and especially to those living under despotism. Our dynamic example of freedom drew many to our shores and inspired others, in the Old World and the New, to emulate our course.

All of these influences contributed to giving the world relative peace and security for the 100 years between the ending of the Napoleonic wars and the beginning of the First World War. During this period there were many advances in the practice of political liberty, and generally throughout the world there was a great advance in material and social well-being.

The events of the 20th century, and especially the two World Wars and their aftermaths, have created an entirely new situation. In large measure the United States has inherited a responsibility for leadership which, in the past, has been

shared by several nations. Today there rests upon us, to a unique degree, the threefold task of providing insurance against another world war; of demonstrating the good fruits of freedom which undermine the rule of despots by contrast; and of providing a major part of the effort required for the healthy growth of underdeveloped areas.

The Eisenhower administration inherited security policies that had much worth. Many of these policies were bipartisan in character. They reflected a national recognition of the peril facing the civilized world, a united determination to meet it, and an acceptance of the role of leadership thrust on us by events. We had helped to reestablish the economies of other countries shattered by the war. We had taken a major part in resisting the aggression in Korea. In the face of the Soviet threat we were engaged in rebuilding our military strength and that of other free countries.

These and like measures were costly. But they were necessary to our security. However, they partook much of an emergency character. By 1953 there was need to review our security planning and to adjust our continuing military effort to the other requirements of a well-rounded, permanent policy.

Under the conditions in which we live, it is not easy to strike a perfect balance between military and nonmilitary efforts and to choose the type of military effort which serves us best. The essential is to recognize that there is an imperative need for a balance which holds military expenditures to a minimum consistent with safety, so that a maximum of liberty may operate as a dynamic force against despotism. That is the goal of our policy.

The Nature of the Threat

The threat we face is not one that can be adequately dealt with on an emergency basis. It is a threat that may long persist. Our policies must be adapted to this basic fact.

The Soviet menace does not reflect the ambitions of a single ruler and cannot be measured by his life expectancy. There is no evidence that basic

¹ Article prepared for publication in the April issue of *Foreign Affairs* (press release 139 dated Mar. 16).

Soviet policies have been changed with the passing of Stalin. Indeed, the Berlin conference of last February gave positive evidence to the contrary. The Soviet Communists have always professed that they are planning for what they call "an entire historical era."

The assets behind this threat are vast. The Soviet bloc of Communist-controlled countries—a new form of imperialist colonialism—represents a vast central land mass with a population of 800 million. About 10 million men are regularly under arms, with many more trained millions in reserve. This land force occupies a central position which permits of striking at any one of about 20 countries along a perimeter of some 20 thousand miles. It is supplemented by increasing air power, equipped with atomic weapons, able to strike through northern Arctic routes which bring our industrial areas in range of quick attack.

The threat is not merely military. The Soviet rulers dispose throughout the world of the apparatus of international communism. It operates with trained agitators and a powerful propaganda organization. It exploits every area of discontent, whether it be political discontent against "colonialism" or social discontent against economic conditions. It seeks to harass the existing order and pave the way for political coups which will install Communist-controlled regimes.

By the use of many types of maneuvers and threats, military and political, the Soviet rulers seek gradually to divide and weaken the free nations and to make their policies appear as bankrupt by overextending them in efforts which, as Lenin put it, are "beyond their strength." Then, said Lenin, "our victory is assured." Then, said Stalin, will be the "moment for the decisive blow."

It is not easy to devise policies which will counter a danger so centralized and so vast, so varied and so sustained. It is no answer to substitute the glitter of steel for the torch of freedom.

An answer can be found by drawing on those basic concepts which have come to be regularly practiced within our civic communities. There we have almost wholly given up the idea of relying primarily on house-by-house defense. Instead, primarily reliance is placed upon the combining of two concepts, namely, the creation of power on a community basis and the use of that power so as to deter aggression by making it costly to an aggressor. The free nations must apply these same principles in the international sphere.

Community Defense

- The cornerstone of security for the free nations must be a collective system of defense. They clearly cannot achieve security separately. No single nation can develop for itself defensive power of adequate scope and flexibility. In seeking to do so, each would become a garrison state and none would achieve security.

This is true of the United States. Without the cooperation of allies, we would not even be in a position to retaliate massively against the war industries of an attacking nation. That requires international facilities. Without them, our air striking power loses much of its deterrent power. With them, strategic air power becomes what Sir Winston Churchill called the "supreme deterrent." He credited to it the safety of Europe during recent years. But such power, while now a dominant factor, may not have the same significance forever. Furthermore, massive atomic and thermonuclear retaliation is not the kind of power which could most usefully be evoked under all circumstances.

Security for the free world depends, therefore, upon the development of collective security and community power rather than upon purely national potentials. Each nation which shares the security should contribute in accordance with its capabilities and facilities. The Inter-American Treaty of Reciprocal Assistance (Rio Pact) of 1947 set a postwar example in establishing the principle that an armed attack against one would be considered as an attack against all. The North Atlantic Treaty is based on the same principle. Its members have gone much further in organizing joint forces and facilities as a part of the integrated security system. Nato provides essential air and naval bases, to which its various members can contribute—each according to its means and capabilities. It provides the planes and ships and weapons which can use these bases. It provides so many points from which an aggressor could be harassed, in so many different ways, that he cannot prudently concentrate his forces for offense against a single victim.

• While Nato best exemplifies this collective security concept, there are other areas where the same concept is evolving, although as yet in a more rudimentary form. An example is the Western Pacific, where the United States has a series of collective security treaties which now embrace Australia, New Zealand, the Philippines, Japan, and Korea. Collective arrangements are now in the making in the Middle East, with Turkey-Pakistan as the nucleus. These developments show the growing acceptance of the collective security concept we describe.

The United Nations is striving to make collective security effective on a basis broader than regionalism. The central principle of the charter is that any armed attack is of universal concern and calls for collective measures of resistance. The Soviet Union, by its veto power, has made it impractical, as yet, to make available to the Security Council the "armed forces, assistance, and facilities" contemplated by article 43 of the charter. When aggression occurred in Korea, however, the principle of collective action was invoked by the United Nations and acted on by more

than a majority of the members, including 16 which sent armed forces to Korea to repel the aggression. The "Uniting for Peace" Resolution, adopted by the General Assembly in November 1950, grew out of that experience. That resolution will enable members of the United Nations to join in carrying out similar collective measures against any future aggression without being blocked by a Soviet veto.

The free world system of bases is an integral part of its collective security. At the recent Four Power Conference in Berlin, Mr. Molotov repeatedly attacked these bases as evidence of aggressive purpose. Actually these bases on the territory of other sovereign countries are merely a physical expression of the collective security system. They were constructed only at the request of the host nation and their availability depends upon its consent, usually as a legal condition and always as a practical one. The requisite consent to the use of these bases would never be accorded unless it was clear that their use was in response to open aggression, and reasonably related to its scope and nature. This gives assurance of their community function.

Thus the free world has practical means for achieving collective security both through the United Nations and the various regional arrangements already referred to.

The Strategy To Deter Aggression

The question remains: How should collective defense be organized by the free world for maximum protection at minimum cost? The heart of the problem is how to deter attack. This, we believe, requires that a potential aggressor be left in no doubt that he would be certain to suffer damage outweighing any possible gains from aggression.

This result would not be assured, even by collective measures, if the free world sought to match the potential Communist forces, man for man and tank for tank, at every point where they might attack. The Soviet-Chinese bloc does not lack manpower and spends it as something that is cheap. If an aggressor knew he could always prescribe the battle conditions that suited him and engage us in struggles mainly involving manpower, aggression might be encouraged. He would be tempted to attack in places and by means where his manpower superiority was decisive and where at little cost he could impose upon us great burdens. If the free world adopted that strategy, it could bankrupt itself and not achieve security over a sustained period.

The free world must devise a better strategy for its defense, based on its own special assets. Its assets include, especially, air and naval power and atomic weapons which are now available in a wide range, suitable not only for strategic bombing but also for extensive tactical use. The free

world must make imaginative use of the deterrent capabilities of these new weapons and mobilities and exploit the full potential of collective security. Properly used, they can produce defensive power able to retaliate at once and effectively against any aggression.

To deter aggression, it is important to have the flexibility and the facilities which make various responses available. In many cases, any open assault by Communist forces could only result in starting a general war. But the free world must have the means for responding effectively on a selective basis when it chooses. It must not put itself in the position where the only response open to it is general war. The essential thing is that a potential aggressor should know in advance that he can and will be made to suffer for his aggression more than he can possibly gain by it. This calls for a system in which local defensive strength is reinforced by more mobile deterrent power. The method of doing so will vary according to the character of the various areas.

Some areas are so vital that a special guard should and can be put around them. Western Europe is such an area. Its industrial plant represents so nearly the balance of industrial power in the world that an aggressor might feel that it was a good gamble to seize it, even at the risk of considerable hurt to himself. In this respect, Western Europe is exceptional. Fortunately, the West European countries have both a military tradition and a large military potential, so that through a European Defense Community, and with support by the United States and Britain, they can create an adequate defense of the Continent.

Most areas within the reach of an aggressor offer less value to him than the loss he would suffer from well-conceived retaliatory measures. Even in such areas, however, local defense will always be important. In every endangered area there should be a sufficient military establishment to maintain order against subversion and to resist other forms of indirect aggression and minor satellite aggressions. This serves the indispensable need to demonstrate a purpose to resist, and to compel any aggressor to expose his real intent by such serious fighting as will brand him before all the world and promptly bring collective measures into operation. Potential aggressors have little respect for peoples who have no will to fight for their own protection or to make the sacrifices needed to make that fighting significant. Also, they know that such peoples do not attract allies to fight for their cause. For all of these reasons, local defense is important. But in such areas the main reliance must be on the power of the free community to retaliate with great force by mobile means at places of its own choice.

A would-be aggressor will hesitate to commit aggression if he knows in advance that he thereby

not only exposes those particular forces which he chooses to use for his aggression, but also deprives his other assets of "sanctuary" status. That does not mean turning every local war into a world war. It does not mean that, if there is a Communist attack somewhere in Asia, atom or hydrogen bombs will necessarily be dropped on the great industrial centers of China or Russia. It does mean that the free world must maintain the collective means and be willing to use them in the way which most effectively makes aggression too risky and expensive to be tempting.

It is sometimes said that this system is inadequate because it assures an invaded country only that it will eventually be liberated and the invader punished. That observation misses the point. The point is that a prospective attacker is not likely to invade if he believes the probable hurt will outbalance the probable gain. A system which compels potential aggressors to face up to that fact indispensably supplements a local defensive system.

Practical Applications

We can already begin to see applications of these policies.

In Korea the forces fighting aggression had been so closely limited that they were forbidden even to apply the doctrine of "hot pursuit" in relation to enemy planes that were based across the Yalu. The airfields from which attacks were mounted were immune, as were the lines and sources of their supply. The fighting there was finally stopped last July on terms which had been proposed many months before. That result was achieved, at least in part, because the aggressor, already denied territorial gains, was faced with the possibility that the fighting might, to his own great peril, soon spread beyond the limits and methods which he had selected, to areas and methods that we would select. In other words, the principle of using methods of our choice was ready to be invoked, and it helped to stop the war which the enemy had begun and had pursued on the theory that it would be a limited war, at places and by means of its choosing.

The 16 members of the United Nations who fought in Korea have invoked the same principle. They have given public notice that if the Communists were to violate the armistice and renew the aggression, the response of the United Nations Command would not necessarily be confined to Korea.² Today, if aggression were resumed, the United Nations Command would certainly feel free to inflict heavy damage upon the aggressor beyond the immediate area which he chose for his aggression. That need not mean indulging in atomic warfare throughout Asia. It should not be stated in advance precisely what would be the

scope of military action if new aggression occurred. That is a matter as to which the aggressor had best remain ignorant. But he can know and does know, in the light of present policies, that the choice in this respect is ours and not his.

In relation to Indochina, the United States has publicly stated that if there were open Red Chinese Army aggression there, that would have "grave consequences which might not be confined to Indochina."³

On December 26, 1953, President Eisenhower made an important statement which clearly reflected our present policy as applied to Asia.⁴ He announced a progressive reduction of United States ground forces in Korea. However, he went on to point out that United States military forces in the Far East will now feature "highly mobile naval, air, and amphibious units"; and he added that in this way, despite some withdrawal of land forces, the United States will have a capacity to oppose aggression "with even greater effect than heretofore." In the same month the United States reaffirmed its intent to maintain in Okinawa the rights made available to us by the Japanese peace treaty. This location is needed to insure striking power to implement the collective security concept.

In Europe, our intentions are primarily expressed by the North Atlantic Treaty. Following the aggression in Korea of June 1950, the treaty members proceeded to an emergency buildup of military strength in Western Europe. The strength built between 1950 and 1953 has served well the cause of peace. But by 1953, it did not seem necessary to go on at the original pace.

At the April 1953 meeting of the NATO Council, the United States put forward a new concept, now known as that of the "long haul." It meant a steady development of defensive strength at a rate which would preserve and not exhaust the economic strength of our allies and ourselves. This would be reinforced by the availability of new weapons of vastly increased destructive power and by the striking power of an air force based on internationally agreed positions. President Eisenhower is now seeking an amendment of the present law to permit a freer exchange of atomic information with our NATO allies.

When we went back to the NATO Council meeting of last December, we found that there was general acceptance of the "long haul" concept. The result is that most of our NATO allies are now able to achieve budgetary and economic stability, without large dependence on our economic aid.

The growing free-world defensive system, supported by community facilities and coupled with adequate policies for their use, reflects the nearest approach that the world has yet made to a

² BULLETIN of Aug. 24, 1953, p. 247.

³ *Ibid.*, Sept. 14, 1953, p. 342.

⁴ *Ibid.*, Jan. 4, 1954, p. 14.

means to achieve effective defense at minimum cost.

The Current Military Program

One of the basic tasks of the new administration has been to review our military program in the light of the foregoing policies.

In the years 1945-53, our military programs went through wide fluctuations which hindered orderly and efficient administration. During the first part of this period, the policy was to reduce the military establishment drastically. During the latter part of the period, the policy was to increase the military establishment rapidly. During both the decrease and the increase the military budget reflected the so-called "balance of forces" concept. In practical terms, this meant splitting the available funds into three roughly equal slices for the Army, Navy, and Air Force.

When the Eisenhower administration took office, our national security programs, at home and abroad, were costing over \$50 billion a year, and were planned at about \$55 billion for the next year. Budgetary deficits were of the order of \$10 billion, despite taxes comparable to wartime taxes. Inflation was depreciating the purchasing power of the dollar. Our allies were similarly burdened.

The American people have repeatedly shown that they are prepared to make whatever sacrifices are really necessary to insure our national safety. They would no doubt support military expenses at the levels which their government told them were required for security, even at the cost of budget deficits, resultant inflationary pressures, and tax levels which would impair incentives. But the patriotic will to sacrifice is not something to be drawn upon needlessly. Government has the high duty to seek resourcefully and inventively the ways which will provide security without sacrificing economic and social welfare. The security policies we here describe make possible more selective and more efficient programs in terms of the composition of forces and of procurement.

The new administration has sought to readjust, in an orderly way, the program for the military forces. Before this could be done, it was necessary to clarify the extent of our reliance on collective security; to define more clearly our basic strategy both in Europe and the Far East; to reassert our freedom of action in repelling future aggression; to assess the impact of newer types of weapons; and to relate the composition and size of our ready and potential forces to all these factors.

Inevitably this has taken time. It has required a series of difficult basic decisions by the President with the advice of the National Security Council and with supporting decisions by the Department of State, the Department of Defense,

and the Treasury Department. It has been necessary to exchange views with congressional leaders and our principal allies and to inform world opinion so that neither our friends nor our enemies abroad would misinterpret what we were doing. By now, however, the new course is charted and is guiding our military planning. As a result, it is now possible to get, and share, more basic security at less cost. That is reflected in the budget which the President has submitted for the 1955 fiscal year. In this budget, national security expenditures for fiscal year 1955 will amount to \$45 billion as compared with \$50 billion for 1953 and \$49 billion for 1954.

Initially this reshaping of the military program was misconstrued in various respects. Some suggested that the United States intended to rely wholly on large-scale strategic bombing as the sole means to deter and counter aggression. What has already been said should dispose of this erroneous idea. The potential of massive attack will always be kept in a state of instant readiness, and our program will retain a wide variety in the means and scope for responding to aggression. Others interpreted the program as a move away from collective security. The exact opposite is the case, as has been shown. Our policies are based squarely on a collective security system and depend for their success on its continuing vitality. Still others feared that we intended to withdraw our forces from abroad in the interest of mobility. Now that the fighting is ended in Korea, our forces in the Far East will be reduced in numbers, as has previously been announced, but the kind of force that remains will have great striking power. Moreover, the program does not mean that we intend to pull our forces out of Europe. It is, of course, essential that the continental nations themselves provide a harmonious nucleus of integrated defense. If they do so, the United States would expect to maintain substantial forces of its own in Europe, both in support of the forward strategy of defense and for political reasons.

Another consequence of our new policies is that it has become practicable to reduce our economic aid to our allies. The technical assistance program will go on and economic aid is not wholly excluded. There are still some places near the Soviet orbit where the national governments cannot maintain adequate armed forces without help from us. That is notably so in the Middle and Far East. We have contributed largely ungrudgingly, and I hope constructively, to end aggression and advance freedom in Indochina. The stakes there are so high that it would be culpable not to contribute to the forces struggling to resist Communist oppression.

But broadly speaking, economic aid in the form of grants is on its way out as a major element of our foreign policy. This is highly desirable from many standpoints. It helps to make our own budget more manageable and it promotes more

self-respecting international relationships. That is what our allies want. Trade, broader markets, and a flow of investment are far more healthy than intergovernmental grants-in-aid. It is, of course, important that we do actually develop these mutually advantageous substitutes for "aid." To do so is one of the major objectives of the Eisenhower administration. It is an essential component of the overall policies already described.

In the ways outlined, the United States and its allies gather strength for the long-term defense of freedom.

Our National Purpose

We do not, of course, claim to have found some magic formula that insures against all forms of Communist successes. Despotism is entrenched as never before. It remains aggressive, particularly in Asia. In Europe, its purposes remain expansive, as shown by Mr. Molotov's plans at the Berlin conference for Germany, Austria, and all Europe. However, time and fundamentals will work for us, if only we will let them.

The dictators face an impossible task when they set themselves to suppress, over a vast area and for a long time, the opportunities which flow from freedom. We can be sure that there is going on, even within the Soviet Empire, a silent test of strength between the powerful rulers and the multitudes of human beings. Each individual seems by himself to be helpless in this struggle. But their aspirations in the aggregate make up a mighty force. There are some signs that the Soviet rulers are, in terms of domestic policy, bending to some of the human desires of their people. There are promises of more food, more household goods, more economic freedom. This does not prove that the dictators have themselves been converted. It is rather that they may be dimly perceiving that there are limits to their power indefinitely to suppress the human spirit.

That is a truth which should not be lost sight of as we determine our own policies. Our national purpose is not merely to survive in a world fraught with appalling danger. We want to end this era of danger. We shall not achieve that result merely by developing a vast military establishment. That serves indispensably to defend us and to deter attack. But the sword of Damocles remains suspended. The way to end the peril peacefully is to demonstrate that freedom produces not merely guns, but the spiritual, intellectual, and material richness that all men want.

Such are the guiding principles we invoke. We have confidence that if our Nation perseveres in applying them, freedom will again win the upper hand in its age-long struggle with despotism, and that the danger of war will steadily recede.

Foreign Policy and National Security

Statement by Secretary Dulles¹

I am glad to discuss with you the present state of our foreign policy and its relation to our military programs.

I

The central goal of our policy is peace with freedom and security. The menace of Soviet bloc despotism, which now holds in its grip one-third of the world's peoples, presents the most serious danger that has ever confronted us. The main aspects of this threat are apparent.

1. The Soviet rulers seem to feel secure only in a world of conformity dominated by them. Partly, no doubt, they are driven by lust for power. But to a considerable extent, I believe, they are driven by fear of freedom. To them freedom is a threat to be stamped out wherever it approaches their world.

2. The Soviet bloc possesses what is in many ways the most formidable military establishment the world has ever known. Its great strength is manpower, but also it is strong in terms of planes, submarines, and atomic capabilities. This vast empire dominates the central Eurasian land mass extending from the River Elbe in Germany to the Pacific. From within an orbit of 20,000 miles, it could strike by land at any one of approximately 20 states of Europe, the Middle East, and Asia, and by air it could strike the North American Continent.

3. Nor is the threat only military. It also commands a political apparatus which operates in every country of the world, seeking to capitalize upon all of the discontents and unsatisfied ambitions which inevitably exist in greater or less degree throughout the free world.

4. The threat is virtually unlimited so far as time is concerned. Soviet communism operates not in terms of an individual lifetime so that the threat will end with someone's death. It operates in terms of what Lenin and Stalin called "an entire historical era."

II

To meet that military threat requires on our side a strategy which is both well-conceived and well-implemented. This military defense must be within the capacity of the free world to sustain it for an indefinite time without such impairment of its economic and social fabric as would expose it to piecemeal seizure from within by the political apparatus of communism.

This calls for thinking and planning which is imaginative; which takes maximum possible ad-

¹ Made before the Senate Foreign Relations Committee on Mar. 19 (press release 149).

vantage of the special resources of the free nations; and which is steadily developed and adapted to changing conditions. The fundamental aim of our national security policies is to deter aggression and thereby avert a new war. The essentials of this problem may be briefly summarized as follows:

1. The free nations can achieve security only by a collective system of defense. No single nation can develop alone adequate power to deter Soviet bloc aggression against its vital interests. By providing joint facilities and by combining their resources, the free nations can achieve a total strength and a flexibility which can surpass that of any potential enemy and can do so at bearable cost.

This collective security concept is the most highly developed in NATO. But it also embodied in the Rio Pact of 1947 and, in more limited form, in various security arrangements in the Far East. The Turkey-Pakistan agreement marks the beginning of applying the collective security concept in the Middle East. The United Nations is moving in the same direction, as shown by its "Uniting for Peace" Resolution.

2. In organizing their collective defense, the free nations should not attempt to match the Soviet bloc man for man and gun for gun. The best way to deter aggression is to make the aggressor know in advance that he will suffer damage outweighing what he can hope to gain. Thus an aggressor must not be able to count upon a sanctuary status for those resources which he does not use in committing aggression.

3. To apply this deterrent principle the free world must maintain and be prepared to use effective means to make aggression too costly to be tempting.

It must have the mobility and flexibility to bring collective power to bear against an enemy on a selective or massive basis as conditions may require. For this purpose its arsenal must include a wide range of air, sea, and land power based on both conventional and atomic weapons. These new weapons can be used not only for strategic purposes but also for tactical purposes. The greatest deterrent to war is the ability of the free world to respond by means best suited to the particular area or circumstances. There should be a capability for massive retaliation without delay. I point out that the possession of that capacity does not impose the necessity of using it in every instance of attack. It is not our intention to turn every local war into a general war.

4. The magnitude and duration of the present danger and the need for flexibility of means to deter that danger make it vital to the United States, as never before, that it have firm allies. A firm alliance depends not merely upon documents, although these may be important. There must also be trust, understanding, and good will as be-

tween the free nations. This implies not merely military commitments, but good economic and cultural relations as well. It is not charity on the part of the United States to be concerned with the economic health of other nations which help to support the basic strategy I describe. Neither is their good will a matter to which we can be indifferent. All of this means that foreign policy has assumed, as never before, a vital importance for the security of the United States.

In the long haul the United States has a profound interest in insuring that its allies and the uncommitted areas of the free world are able to maintain viable economic and political systems. That is why our foreign economic policy means so much to our own security.

Secretary Dulles Offers Atomic Energy Proposal

Press release 148 dated March 19

Secretary Dulles met today with Soviet Ambassador Zarubin for a continuation of the talks which have been under way since January on the subject of the atomic-energy proposals made by President Eisenhower before the U.N. General Assembly on December 8, 1953.¹

Prior to the Berlin conference the Secretary had discussed procedural matters relating to this subject with the Soviet Ambassador in Washington. This subject was further pursued in two private talks in Berlin between the Secretary and Soviet Foreign Minister Molotov.

In these talks at Berlin it was agreed that the U.S. Government for its part would shortly transmit to the Soviet Government in writing a concrete plan to further the peaceful development and use of atomic energy. This proposal has now been prepared by the U.S. Government in consultation with other friendly governments concerned. A copy of the proposal was handed today to the Soviet Ambassador by the Secretary.

The Soviet Government has also transmitted to the U.S. Government certain proposals in connection with the general subject of atomic matters. These proposals are under study.

Letters of Credence

Japan

The newly appointed Ambassador of Japan, Sadao Iguchi, presented his credentials to the President on March 16. For the text of the Ambassador's remarks and the text of the President's reply, see Department of State press release 137.

¹ BULLETIN of Dec. 21, 1953, p. 847.

Reported Atomic Injuries To Be Investigated

Press release 144 dated March 17

The U.S. Government is concerned over reports that several Japanese fishermen have suffered injury in the course of atomic tests in the Marshall Islands. The U.S. Government is conducting an investigation, in cooperation with Japanese authorities, of all the facts in this case in order to determine how this regrettable accident occurred despite precautions taken, including warnings given over a wide area.

The Declaration of Caracas and the Monroe Doctrine

News Conference Statement by Secretary Dulles

Press release 138 dated March 16

I returned last Sunday from Caracas after 2 weeks of attendance at the Tenth Inter-American Conference. The Conference is still in session. It has many important matters to deal with, particularly in the social and economic field. Already, however, the Conference has made history by adopting with only one negative vote a declaration that, if the international communism movement came to dominate or control the political institutions of any American State, that would constitute a threat to the sovereignty and political independence of all the American States and would endanger the peace of America.¹

That declaration reflects the thinking of the early part of the nineteenth century. At that time, Czarist Russia was aggressive. Czar Alexander had made a claim to sovereignty along the West Coast of this Continent and had organized the so-called Holy Alliance which was plotting to impose the despotic political system of Russia and its allies upon the American Republics, which had just won their freedom from Spain.

In 1823, President Monroe, in his message to Congress, made his famous declaration. It contained two major points. The first related to the colonial system of the allied powers of Europe and declared that any extension of their colonial system in this hemisphere would be dangerous to our peace and safety. The second part of the declaration referred to the extension to this hemisphere of the political system of despotism then represented by Czarist Russia and the Holy Alliance. President Monroe declared that "it is impossible that the allied powers should extend their

political system to any portion of either continent without endangering our peace and happiness. It is equally impossible, therefore, that we should behold such interposition, in any form, with indifference."

The first part of President Monroe's declaration against extending the European colonial system in this hemisphere has long since been accepted and made an all-American policy by concerted action of the American States. However, the same could not be said of President Monroe's declaration against the extension to this hemisphere of a European despotic system. It seemed to me, as I planned for the Caracas conference, that the threat which stems from international communism is a repetition in this century of precisely the kind of danger against which President Monroe had made his famous declaration 130 years ago. It seemed of the utmost importance that, just as part of the Monroe declaration had long since been turned from a unilateral declaration into a multilateral declaration of the American States, so it would be appropriate for the American States to unite to declare the danger to them all which would come if international communism seized control of the political institutions of any American State.

That matter was debated at Caracas for 2 weeks and a declaration in the sense proposed by the United States was adopted by a vote of 17 to 1, with 2 abstentions.

I believe that this action, if it is properly backed up, can have a profound effect in preserving this hemisphere from the evils and woes that would befall it if any one of our American States became a Soviet Communist puppet. That would be a disaster of incalculable proportions. It would disrupt the growing unity of the American States which is now reflected by the Charter of the Americas and by the Rio Treaty of Reciprocal Assistance.

It was time that we should have acted as we did because international communism is making great efforts to extend its political control to this hemisphere. The declaration adopted at Caracas, and particularly the sentiments which were expressed during the course of the debate, show an awareness of the danger and a resolution to meet it.

It is significant of the vitality of our American system that no one of the American Republics, even the most powerful, wanted to deal single-handedly with the danger, but that it was brought to the Inter-American Conference table as a matter of common concern. Furthermore, the declaration, as adopted, contained in substance the words of President Eisenhower, expressed in his great peace address of April 16, 1953, that the declaration "is designed to protect and not to impair the inalienable right of each American State freely to choose its own form of government and economic system and to live its own social and cultural life."

¹ For text, see BULLETIN of Mar. 22, 1954, p. 420.

U.S.-Mexican Agreement on Farm Labor

Press release 129 dated March 10

JOINT STATEMENT

Following is the text of a joint statement made on March 10 by the Department of State and the Mexican Ministry of Foreign Relations:

Today at 8:00 p. m., e. s. t. in Mexico City, an exchange of notes took place between the Ministry of Foreign Relations and the United States Embassy which the two Governments consider as an agreement between them. This agreement renews from this date and until December 31, 1955, the Migrant Labor Agreement of 1951, as amended on May 19, 1952, and as now modified by the terms of the joint interpretations and amendments in the notes under reference.

In view of this agreement, the two governments wish to express their mutual satisfaction at having reached an amicable understanding, as a result of which the problem of temporary emigration of Mexican agricultural workers to the United States will continue to be governed by a mutually satisfactory bilateral agreement.

SUMMARY OF PRINCIPAL POINTS

The notes exchanged between the United States and Mexican Governments in Mexico City on March 10 renewed the Migrant Labor Agreement of 1951 until December 31, 1955. They also clarified the agreement and brought about certain changes which were mutually deemed necessary to improve the operation of the agreement and to reduce the flow of illegal workers into the United States. Principal provisions of the new understanding are as follows:

1. Wages paid to Mexican workers in the United States under the agreement may not be less than the prevailing wages for domestic laborers performing the same activity in the same area of employment as determined by the United States Secretary of Labor. Provision is made for the Mexican Government to protest and present evidence where it believes the wage determination to be inaccurate.

2. The contracting of workers will not be interrupted during investigation and solution of differences which might arise in connection with the operation of the program.

3. Subsistence allowances for Mexican workers are to be established at rates adequate to meet the

cost in the area of employment of diets which the United States Department of Agriculture considers necessary for persons performing arduous labor.

4. Off-the-job insurance at the workers' expense is provided to cover workers suffering injuries, illnesses or death. Standard form policies will be established which may be underwritten by any properly licensed insurance company offering competitive rates. The Mexican Government reserves the right to institute a plan for off-the-job insurance to be managed by a Mexican Government authorized organization.

5. Entire counties will no longer be included in the list of areas which are unacceptable for the employment of Mexican labor because of discrimination in a particular community. Individual employers will be placed on ineligible lists only as a result of joint determination by both Governments.

6. Workers who do not complete their contracts will receive return transportation and subsistence costs from the employer in the same proportion as the period worked compares with the length of the contract. Employers may postpone from one pay day to the immediately following pay day a total of three days earnings of a worker.

7. A new migratory station for the recruitment of workers will be opened at Mexicali, Baja California, and the stations at Monterrey and Chihuahua are to be reactivated. The other migratory stations provided in the agreement are at Durango, Irapuato, and Guadalajara. A U. S. reception center at Hidalgo is planned to replace that formerly at Harlingen, Texas.

8. Workers who were contracted in the United States during the period from January 16, 1954, to February 8, 1954, may, if they desire, be covered at the expiration of their contracts by new contracts under the renewed agreement.

9. A Joint Migratory Labor Commission composed of representatives of the interested Departments of the two Governments has been established to function until October 31, 1954. This commission will observe the migrant labor movement between Mexico and the United States in both its legal and illegal aspects and make recommendations to the two Governments for possible improvement in the operation of the agreement and for methods of deterring the illegal traffic. The Commission will also study the advisability of reducing the minimum contracting period for Mexican workers from six to four weeks and make appropriate recommendations within thirty days. The Commission will also study and make recommendations concerning other problems which are referred to it by the Governments.

10. New negotiations may be entered into within 30 days after the final recommendations of the Joint Commission in order that the Governments may consider applying these recommendations to the operation of the program.

March 29, 1954

Mexican Migrant Labor

White House press release dated March 16

Following is the text of a statement made by President Eisenhower on March 16 at the time of his signing of H. J. Res. 355 (Public Law 309, 83d Congress):

On signing this legislation, I wish to dispel any misconceptions which may exist regarding its purpose. The basic purpose is to enable this Government to give Mexican migrant labor the protection of our laws.

Whenever United States employment is at such a level that Mexican workers are needed to supplement the United States labor force and whenever they can be spared temporarily from Mexico, we of course welcome their valuable assistance to our farming community if they will cross the border legally. The problem of adequate control and protection of Mexican workers in the United States has in recent years been the subject of searching analysis by the Governments of the United States and Mexico, working both independently and together.

The two Governments, after more than 4 months of careful study and friendly negotiation—conducted in an atmosphere of mutual respect worthy of two sovereign neighbors, announced on March 10 that they had concluded a renewed and improved migrant labor agreement. While neither Government assumes that this agreement will prove to be the final answer to the whole complex problem, it provides necessary means for moving forward to more complete solutions.

Unforeseeable future developments may some day lead the two Governments to determine that formal agreement on this subject is no longer desirable but that appropriate action by each within its own jurisdiction is still essential. Authority has existed for a number of years for the Attorney General to admit Mexican farm workers under whatever conditions he alone may establish, but, because of the wording of applicable legislation, there has not been adequate authority for United States governmental measures for protection and placement of the workers at any time there should not be an agreement with Mexico. The present law is precautionary in that it removes this disability and enables the Secretary of Labor to perform these functions of protecting and placing migrant workers which are so important to both United States and Mexican interests, at any time these services may be required.

Bolivia To Receive Additional Wheat

The White House announced on March 16 that President Eisenhower on March 15 had modified his statement of October 6, 1953,¹ concerning surplus commodities for Bolivia. In view of Bolivia's urgent relief requirements, he decided to increase the total of wheat to be made available out of Commodity Credit Corporation stocks from \$5 million to \$8 million.

According to the White House announcement, the equivalent of 45,000 tons of wheat has been going to Bolivia at the rate of approximately 7,000 tons a month. Final delivery of the original allocation is tentatively scheduled for mid-June. The additional wheat is intended to cover minimum requirements during the following few months.

Ecuador-Peru Boundary Incident

Press release 141 dated March 16

With a view toward conciliation of the boundary incident which occurred on January 24, identical telegrams as follows were addressed to the Governments of Ecuador and Peru on March 15 by the representatives of the Governments of Brazil, Argentina, Chile, and the United States, meeting in Rio de Janeiro as guarantors of the Protocol of Peace, Friendship, and Boundaries signed at Rio de Janeiro in 1942:

Committee of representatives of guarantors of protocol of January 23, 1942, meeting today Rio and studying formula for honorable solution frontier incident of last January in Putumayo River zone, requests collaboration of Government of that country (Peru-Ecuador) in making an effort, during deliberations, to diminish state of tension which unfortunately exists between the two neighboring and friendly countries and to impede any manifestation which might aggravate it. Highest regards. Signed VASCO LEITAO DE CUNHA, Acting Minister Foreign Affairs, Brazil, Chairman; Gen. ARNALDO CARRASCO, Ambassador, Chile; Minister-Plenipotentiary Dr. KUZERTO E. ZALAZAR, Special Representative, Argentine Republic; ROBERT P. TERRILL, Chargé d'Affaires, ad interim, of U.S.A.

¹ BULLETIN of Oct. 19, 1953, p. 518; see also *ibid.*, Nov. 2, 1953, p. 584.

Security in the Department of State

by Scott McLeod

Administrator, Bureau of Inspection, Security and Consular Affairs¹

The first of the executive agencies to be established under the Constitution was the Department of State. It came into being, under an enactment of the Congress, in the summer of 1789. This senior of all Departments and agencies is thus invested with a tradition of service that stems from the administration of President Washington.

Another congressional enactment of 1789 made the Secretary of State the custodian of the Seal of the United States. The eagle on the seal holds in its right talon an olive branch, in its left a bundle of 13 arrows. According to a resolution of the Continental Congress enacted in 1782, the olive branch and the arrow "denote the power of peace and war."

It is especially appropriate that the Department of State have in its official keeping this inspiring national seal. What the Department of State does, or fails to do, in its contact with foreign governments determines to an enormous extent whether or not peace shall be preserved. The employees of your Department of State are keenly aware of their important mission and their historic traditions.

It is the Department's mission, through diplomatic methods, to preserve peace. To be an officer of such a Department, charged with so fateful a mission, fills me with a humble sense of pride. But the Department of State today is much more than a magnificent abstraction. It has a staff of dedicated men and women, who, under the leadership of President Eisenhower and the direction of Secretary of State John Foster Dulles, are exhibiting a team spirit. Each of its members, whatever his or her duties, contributes an important part to the work of the whole. It could not be otherwise if the Department of State is to fulfill its high function.

U.S. Performance at Berlin

This spirit of dedication, which must of course rest upon a foundation of high professional com-

petence, could not be better illustrated than by the team Secretary Dulles selected to accompany him to the recent Berlin conference of Foreign Ministers. At that conference there was an American delegation of whom the Nation can be proud. Ours was not the largest delegation there, but it showed itself second to none in performance.

Without doubt the Soviet Union's Foreign Minister, Mr. Molotov, hoped to emerge from that conference with Western Europe and most of the free world defenseless against the might of Moscow. It turned out otherwise. For the first time, an American Secretary of State, in part because of his prolonged international experience, in part because of his native diplomatic flair, confounded the Russians with their own words.

The Soviet Union's international policies, which some thought revealed a "New Look" since Stalin's death, were revealed in all their crude reliance upon force. There was, however, a "New Look" at Berlin. It was an American look.

The Western alliance showed itself at Berlin to be strong, cohesive, firm in support of principle, against the wiles of Russia's most resourceful diplomat. The Foreign Ministers of Great Britain and France came, so I am informed, to have the highest regard for the patience, thoroughness, and understanding of Mr. Dulles' diplomatic approach at that meeting. It was so stated in a London dispatch last week to the *New York Times*.

I have brought with me the record of the Berlin discussions, which the Department of State published last week.² This is the first time, I believe, that a substantially verbatim record of a major international conference has been made available to the public so soon after the close of the conference. The Berlin conference adjourned on February 18. This record was published on March 11, just 3 weeks after the four Foreign Ministers parted.

There is a brief passage from the record just published that I would like to read. It provides,

¹ Address made before the District of Columbia Dental Society, Washington, D. C., on Mar. 15 (press release 135).

² *Foreign Ministers Meeting: Berlin Discussions, January 25-February 18, 1954* (Department of State publication 5390).

I think, a fine illustration of the bold resourcefulness of the Secretary of State in his dealings with Mr. Molotov. What I am about to read is a statement of Mr. Dulles made at the session of February 2, in response to Mr. Molotov's violent attack on the Western Powers. It is as follows:³

I do not know what the Soviet Foreign Minister really thinks about us. Whatever his judgment is, he must know that he is not infallible. He has sometimes been wrong, and he might have been wrong when he accused us yesterday of being the enemies of peace.

I recall that Mr. Molotov was wrong in October 1939 when he condemned France and Britain as being aggressors and praised Hitlerite Germany as being the peace-seeking country. I have in my hands a speech which the Soviet Minister of Foreign Affairs made in Moscow on October 31, 1939. Already the war was on and, in Molotov's words: "It needed only one swift blow to Poland first by the German Army and then by the Red Army, and nothing remained of this ugly offspring of the Versailles Treaty." In that speech, Mr. Molotov boasted of the "rapprochement and the establishment of friendly relations between the U.S.S.R. and Germany." He then said that "as far as the European great powers are concerned, Germany is in the position of a state which is striving for the earliest termination of the war and for peace, whereas Great Britain and France, which but yesterday were declaiming against aggression, are in favor of continuing the war and are opposed to the conclusion of peace." "It is," said Mr. Molotov, "not only senseless but criminal to wage such a war—a war for the 'destruction of Hitlerism' camouflaged as a fight for 'democracy'."

Perhaps Mr. Molotov would admit that he then made a mistake—we all make mistakes. That fact should lead us not to be so confident of our judgment that we hurl across the table accusations of criminal intent.

The question is frequently asked: Has the State Department changed? Has the mess been cleaned up? There is, of course, a difference of opinion on that subject, but there is one eminent authority on the change—the new look in the State Department. He can testify on that subject. His name is Molotov, Foreign Minister of the U.S.S.R.

Security Problems Involved

As we gradually get into a position where we justify public confidence in the Department of State, we must necessarily consider the security problems involved in this highly sensitive operation. The security situation is a large part of the administration problem. I personally feel that there are probably very few, if any, people in the Department who are opposed to the idea of sound security practice. However, I do feel there may be a misunderstanding as to just what we are trying to do in the security field.

There are a great many aspects to security as such. The State Department contributes to the national security in the field of consular affairs when the Department issues visas which permit aliens to visit America and passports which permit Americans to travel abroad. That can be a very important aspect of security because we know

from the past that the American passport has in some instances been forged or used fraudulently in order to permit unworthy persons to enter the country. The issuance of visas calls for a high degree of security since it is necessary to ascertain that the immigrant or would-be visitor is a person who will not contribute to the insecurity of a nation.

There are other aspects of security, particularly in this modern day when we find ourselves in close cooperation in the military field with our Western allies. The Department's diplomatic representatives must constantly backstop our military people, as agreements are negotiated with other nations. Of course, there is the matter of security cooperation with other security agencies both in our own government and in the governments of our allies.

I mention these aspects of security because they are generally forgotten by the public which associates the term security in the field of government with the personnel security and integrity practices which the new team is following under the Eisenhower Executive Order 10450.⁴

In addition to the other duties I have outlined above, our Security Office in the State Department handles the physical security of the Department which may be defined as the protection of classified information which the Department possesses. This involves seeing that the material is properly classified, stored, and protected and that, in the buildings in which the information is housed, there is a minimum hazard of fire and enemy penetration.

This involves considerable technical knowledge and, over a period of years, a considerable expenditure of funds. Insofar as physical security is concerned, I have detected no background which indicates that Congress has been niggardly in the matter of appropriating funds for this purpose.

Nevertheless while we may spend millions of dollars to make our information and our buildings as secure as possible in the physical sense, this money can be wasted if a single employee of the Department proves to be untrustworthy.

I would like, in a few moments, to outline the personnel security and integrity measures of the Eisenhower administration as they relate to the State Department in the hopes that through better understanding of what we are trying to do we can secure your sympathetic support for this program.

Full Field Investigation

We approach this problem from the standpoint of the sensitivity of the position occupied by the employee or for which the applicant is being considered. We have approximately 11,000 citizen employees in the State Department. The security-

³ *Ibid.*, p. 79; BULLETIN of Feb. 15, 1954, p. 223.

⁴ 18 Fed. Reg. 2489.

integrity program applies only to these citizens. We have decided that all of our employees occupy sensitive positions since we have been unable to isolate either high or low grade position to a point that the employee is not, conceivably, in a position to obtain or handle material which can vitally affect our national security. The order provides that persons occupying sensitive positions must have a full field investigation. What is a full field investigation?

The first thing checked in a full field investigation is other government agencies. This is termed a "record" check or "name check" whereby all other sensitive government agencies, such as the FBI, the Central Intelligence Agency, congressional committees, Office of Naval Intelligence, G-2, and other agencies are checked to determine if they have anything of record on the individual. If it is learned that one of these agencies has derogatory material, it is reviewed, and if it is of such a nature as to show conclusively the individual would not be the type for Departmental employment his investigation may be dropped at that time.

Of course the applicant's place of birth must be verified and, if he is a naturalized citizen, this must be checked. Inquiries are made into his background and the general reputation of his family. A review is made of his scholastic records, including interviews with former teachers and other qualified persons. His employment experience is checked and former employers and coworkers are interviewed. All references given by the applicant are contacted and they often supply leads as to the identity of other persons who know the applicant well. Persons are interviewed who reside in the neighborhood where the applicant has lived. If the individual has been in the service these records are examined. Credit records of the applicant are reviewed as well as appropriate police agencies to determine if he has a local criminal record. Finally the applicant himself may be interviewed, if necessary, to clarify any unaccounted for time in his life which does not show up readily in the investigation. In a number of instances special inquiries will be required, as for instance in cases where the applicant has resided in a foreign country.

Now the next question is what constitutes derogatory information. Derogatory information for the purposes of the security program is defined in the criteria established by the Executive order. This order, in addition to the factors relating to subversive activity or association, includes behavior characteristics which reflect on the reliability and trustworthiness of an individual—the misrepresentation, falsification, or omission of material facts—criminal, infamous, or notoriously disgraceful conduct, perversion, drunkenness—drug addiction and adjudication of insanity—or facts which furnish reason to be-

lieve an employee may be subjected to coercion, influence, or pressure which would cause him to act contrary to the national security interest.

Having obtained as much background information as is available through investigative means, we then assign the file to the Evaluation Unit of the Security Office. This unit very carefully studies the information. It endeavors to project a future judgment as to the security potential of the individual.

You will observe that this system is in no way analogous to our court system since we are not trying to prove anyone is guilty of violating a law. That is the business of the Justice Department. If our investigation discloses the possibility that anyone is violating a law or that an individual poses a possible threat to the Nation's security, we must turn the matter over to the Justice Department because the FBI is charged with the responsibility for investigating violations of the laws of the United States and for the primary responsibility of protecting the internal security of the United States.

It is not our function to compile evidence for presentation in court cases. On the contrary we are collecting information on which to base a judgment as to the security potential of the individual.

Basic Lines of Policy

In projecting this judgment we have certain basic lines of policy laid down by the President.

The first of these is that no American can assert a right to Government employment. Government employment is a privilege and a high honor; consequently, the Government as an employer can and does establish standards just as any private employer may do.

The second broad policy statement of President Eisenhower is that the American people are entitled to a Government whose clear qualities are loyalty, security, efficiency, economy, and integrity. In the President's view, "only a combination of both loyalty and reliability promises genuine security."

The third general policy line is set forth in the President's Executive order. Our evaluation must affirm that the individual's employment in the Federal Service is "clearly consistent with the interests of the National security," and further that reasonable doubt as to this clear consistency will be resolved in favor of the Government.

This evaluation of the security information, this matter of forming a judgment as to future action, is, of course, not susceptible to present proof. The future may disclose that the present judgment was unwarranted, but we have no way of foreseeing this circumstance. We do have the obligation to take such precaution as may be expected of reasonable and prudent men to protect the Government from *exposure* to danger.

Safeguards to Individual

Now the question is often raised as to whether this system is fair to the individual or not. The system has many safeguards. In my judgment one of the most important is the objective approach of those individuals employed in our Evaluations Unit who make the primary judgment in each case. If their determination is adverse to the employee, the file is then forwarded to the Director of the Office of Security, a Foreign Service officer of considerable experience both in the Department and in the Security field. He must personally affirm the judgment of the Evaluations Unit before the file is forwarded to me. I personally review the evaluation and if I agree I forward it to the Under Secretary for Administration. If he in turn agrees with my judgment, the file is then forwarded to the Secretary. You will observe that this system requires a minimum of five personal evaluations of a security case before an employee is actually suspended from the Department. It seems to me that this system of five separate and distinct judgments more than safeguards the employee against capricious or unreasonable action on the part of the Government.

Most public interest centers on the employee cases. The Security Office has the responsibility for making the final determination on applicant cases unless the applicant is a Presidential appointee. Following the five affirmative decisions that the employee's continued employment is not clearly consistent with the national security, the employee is suspended and furnished a written letter of charges. This letter is as specific as security practices will permit. Obviously, it would be unwise to create a danger to the national security by advising an employee of the individuals who had furnished information with respect to subversive activities. On the other hand, there appears to me to be no sound reason why persons who furnish information with respect to behavior patterns and personal habits of employees should not be requested to identify themselves and face those they accuse. In general terms, such is the policy we pursue in the Department.

After receiving a letter of charges, the employee may file an answer in writing for such supporting evidence as he may care to submit. At this point another judgment is made. This judgment is by the Security Counsel for the Department and by me, acting either jointly or severally. If we make a recommendation for dismissal, our judgment is again subject to the scrutiny of the Under Secretary for Administration and, if he agrees with us, then by the Secretary of State. If it is deter-

mined that it is desirable in the national interest to discharge the employee, the employee is so notified. He then has recourse to a hearing before a three-man panel of Federal employees from other agencies. This hearing is conducted under the direction of the Civil Service Commission. The opinion of the panel is furnished to the Secretary of State as an advisory opinion, and he may accept or reject it, and thus finally conclude the case.

As I have indicated to you, I believe that personnel integrity and security are important problems, particularly when the free world is faced with the enormous conspiracy known as Soviet communism. This conspiracy is a new danger to our liberties. It has arisen as a clear and present menace within the last quarter of a century. It is something which our society has not encountered in the past. America has successfully contended with dangers to its freedoms during the course of its history, so that those of us who live in America today find that freedom is our heritage. We must be sure that freedom is our legacy.

Everest Climber Awarded Hubbard Medal Replica

Press release 136 dated March 16

The American Ambassador to India and Nepal, George V. Allen, on March 16 presented to Tenzing Norkey, on behalf of the National Geographic Society, a replica of the Society's Hubbard Medal for his part in the conquest of Mt. Everest. The presentation was made in Darjeeling, India, Tenzing's present home.

At the same time, Ambassador Allen handed Tenzing a check from the National Geographic Society in the amount of 500 Indian rupees (approximately \$100) as an honorarium.

The Society's gold Hubbard Medal was presented by President Eisenhower on February 11 to the British Everest Expedition. Brig. Sir John Hunt, the leader of the expedition, and Sir Edmund Hillary, who with Tenzing made the final assault to the pinnacle of Everest, accepted the medal on behalf of the expedition. They were also given bronze replicas of the gold medal on that occasion.

The inscription on the Hubbard Medal reads: "Awarded to the British Everest Expedition for Extraordinary Courage and Skill and Outstanding Service to Geography in the Triumphant Conquest of Earth's Highest Mountain, May 29, 1953."

Western Unity—Cornerstone of Free World Defense

by Deputy Under Secretary Murphy¹

Joseph Stalin died a little over a year ago, March 5 to be exact.

His death set the world to dreaming. Even the most pessimistic felt a little hopeful. And why not? To a reasonable man Soviet ideas on world domination seem, and are, preposterous. Moscow should have every reason to try and get along with the rest of the world. And Malenkov seemed to talk more sensibly than his predecessor.

The situation held out hopes that many in Europe especially were eager to reach for. Of course, the Soviets did nothing but it was possible to believe that they were only waiting for the right moment to launch a conciliatory move.

The Berlin conference shattered these modest hopes. It gave the free world a firsthand post-Stalin picture of Soviet intentions. The picture was unchanged. The leopard, Mr. Molotov made clear, has not changed its spots. No matter how dulcet a tune it sings, its appetite is still ravenous. We now have reason to believe that return to group control, instead of one man rule in the Kremlin, has not changed the constant basic policy line and that the U.S.S.R. does not intend to yield a foot of territory.

Molotov was remarkably open in his efforts to use the Conference to divide the Western World. First and last throughout the Conference, he probed to find weak spots in our unity. He made a steady and persistent effort to capitalize on possible differences. The U.S., of course, was his principal target. It was a rather backhanded compliment that he made no attempt to appease us. We were the enemy. He tried to draw both France and the U.K. into a European bloc that excluded the United States.

He failed. Both France and Great Britain stood firm. If anything, the Conference closed with the Western Powers more firmly united. The Conference ended, as Secretary Dulles has reported, with a greater degree of unity among the

three Western Powers than had existed when the Conference began.

This is of capital importance. The unity of the Atlantic community has been, and remains, a cornerstone of the free world's struggle to defend its freedom.

Why? Well, look at your map. Look across the Atlantic. Here are the nations and the peoples from which we, most Americans, sprang. In blood and culture our ties are strong. We share the same views on human liberties.

Perhaps this is the reason why we, sometimes, do not always get along. We quarrel as do members of a family. We are more critical of each other than we would be of strangers. We expect more of each other.

We can afford to disagree because our basic loyalties are the same. In the face of common dangers in the past we have found these basic loyalties stronger than our passing differences. Today we are doing the same.

This, however, is not the real issue. It is not the explanation of the importance the Soviets place upon dividing Europe and the United States.

It is a question of power—of technical skills, industrial capacity, and resources.

The world's second greatest pool of skilled manpower is in Europe.

Soviet Manpower Shortage

A great weakness of the Soviets lies in their lack of skilled manpower. Years of training lie between them and the day when they can match the Atlantic community, man for man, in the technicians demanded by an industrial economy. That is why the citadel of the Ruhr is a magnet for them. Even though Lenin has said the road to Paris is via Peking, Molotov put it—as goes Germany so goes Europe.

Production in the Soviet area has increased but it hasn't increased rapidly enough to suit them. The latest report of the Foreign Operations Administration (June 30, 1953) illustrates this point

¹Address made at Town Hall, Los Angeles, Calif., on Mar. 9 (press release 123).

with statistics on coal and steel, the sinews of any industrial economy.

Steel production in the United States and its European allies has a lead of more than three to one over that of the Soviet bloc, including Communist China which produces little. In coal the edge is two to one.

The Soviets, to be sure, devote a major part of production to their military programs. But that, too, is a weakness. It is a weakness recognized by Malenkov in his recent promises of increased consumer goods, promises upon which he must make good if he is to still mounting unrest. If he doesn't—well, that presents him with another problem. Even totalitarian regimes must make some concessions to the people. Communism has promised a "workers' paradise." That paradise is long overdue.

The Soviets see part of the answer in Free Europe's skilled manpower and industrial plant. To add these to their own strength is their unchanging objective.

The raw material resources of Free Europe are another attraction. The Soviets, to be sure, have resources of their own. Russia today is practically self-contained in the raw materials of industry. Her deficiencies of World War II have been made up largely from satellite countries. Lead and zinc now flow into Russian plants from Poland, East Germany, and the Balkans. The Balkans supply chrome, molybdenum, and antimony. Czechoslovakia and East Germany can be depended upon for some uranium. Finland ships nickel. Manchuria and China provide tungsten, antimony, tin, lead, zinc, graphite, and copper.

The U.S.S.R., itself, is rich in a number of minerals. They are, however, undeveloped. Development will take time, and time, again, is something the Communists leaders use sparingly.

The resources of the free world, however, are developed. They, too, are finding undeveloped deposits but they have the means wherewith to develop them—and quickly.

This country, for example, needs manganese. We have very little of our own. In the past we supplied our needs from Russia. When that avenue was closed to us, we turned to other countries of the free world in Asia, Africa, and South America where there are vast deposits of manganese.

Free World's Raw Materials

The resources of the free world are ample to meet its needs. But it is our combined resources. No one country alone has everything it needs.

Of a list of 32 materials essential to industrial production, the United States is deficient perhaps in 18. We have a surplus in only nine. The British Commonwealth, however, had a surplus in 24, and of these 13 appear on our list of 18 deficiencies. Conversely, several of the Commonwealth's

deficiencies, seven in all, were on our list of surpluses. Our needs and lacks balance each together. Together we have what we want.

As one of our authorities has so aptly said:

If each [the United States and the British Commonwealth] desires to maintain its political security and peacetime industrial development, it follows that they must ever be closely associated in foreign policy, international trade and naval strength to protect sea lanes.

These are facts with which we, you and I, have to deal.

The British, I might add, are devoting \$1 billion in the coming year to maintain and strengthen their Navy. The British do not like taxes any more than do you or I. They growl as much as we do. But they are paying them because they know they dare do no less in face of the danger that threatens.

I have spoken of European skilled manpower and resources. There is another angle to cooperation upon which I would like to touch.

No Monopoly on Brainpower

We Americans do not have a monopoly on brainpower. And in the crisis with which we are confronted we need the brains as well as the skills of our brothers across the Atlantic.

It may come as a shock to some of us when we are reminded that the United States did not, singlehanded, produce the A-bomb. The truth is, it was the result of a combination of the brains of many men from many nations.

Einstein, in whose brain the project was born, is German by birth and education although now American by adoption. There was Fermi, an Italian; Chadwick, an Englishman; Bohr, a Dane; Szilard, a Hungarian; and scores of others. Alexander Sachs, another naturalized American, first took the idea to Washington at the request of three exiled foreign scientists, Einstein, Szilard, and Wigner.

The United States provided the engineering skill, as well as scientific ability, that put the idea into operation. From first to last, however, it was a cooperative venture.

Naturally, I am proud of my country's role in that project. And I am no less proud of the fact because we did not do it alone.

President Eisenhower has proposed that the nations of the world, all of them, make a cooperative effort to put this marvel of our age to work for the benefit of the human race. I am happy to think that suggestion came from an American, and no less happy because many people in many lands would benefit thereby.

Let us face the facts. The unity of the Atlantic community is far more than just a matter of sentiment. It is today a question of survival. In our unity lies our strength. And in that strength lies all mankind's best hope for the future.

The unity the Western Powers displayed in Berlin came about by careful planning. Mr.

Dulles has told you that no planning could have anticipated all the moves made by so shrewd an old hand as Molotov. The unity that emerged was the natural and spontaneous reaction of men who shared the same ideals, men dedicated to the same concepts of human liberty and national integrity.

Mr. Molotov struck a stone wall in Berlin when he tried to "sell" the French and the British on capitulation to totalitarianism—the Governments of both, as well as that of the United States, rejected, without hesitation, the Soviet offer of "peace" on Soviet terms.

About the Geneva conference: We had tried to get such a conference at Panmunjom. The Korean Armistice recommended it. But for over 6 months the Communists refused.

We had proposed, in agreement with President Rhee, that the conference be held in Geneva. That proposal had been rejected.

We had proposed, also in agreement with President Rhee, that the conference should include Communist China, Soviet Russia, North Korea, and, on the United Nations side, the Republic of Korea and the 16 United Nations member nations who had fought in Korea.

All this the Communists had refused. In Berlin each proposal was accepted. The Soviets, to be sure, fought each item and, as Mr. Dulles told us so dramatically in his radio address,² they continued to fight until just 60 minutes before the Berlin conference adjourned.

The Soviets fought for recognition of Communist China as a great "power." This, indeed, was one of their major objectives in Berlin.

They capitulated on that issue only when they saw it was hopeless to expect the West to yield.

Mr. Dulles, in his opening statement on January 26,³ made the position of the United States crystal clear. He said:

. . . I would like to state here plainly and unequivocally what the Soviet Foreign Minister already knows—the United States will not agree to join in a five-power conference with the Chinese Communist aggressors for the purpose of dealing generally with the peace of the world.

The United States refuses not because, as is suggested, it denies that the regime exists, or that it has power. We in the United States well know that it exists and has power, because its aggressive armies joined with the North Korean aggressors to kill and wound 150,000 Americans. . . . We do not refuse to deal with it where occasion requires. . . . It is, however, one thing to recognize evil as a fact. It is another thing to take evil to one's breast and call it good.

Mr. Molotov, in Berlin, used a promise of peace in Indochina as bait for the West. That he failed is to the credit of that Nation which has, indeed, suffered cruelly through Communist activities in Indochina.

The Soviets have tried to use French hopes for peace in Indochina in an attempt to slow down, if

not utterly destroy, the European Defense Community.

As the United States sees it, Edc is an important step toward the security of Free Europe, and incidentally, our own. President Eisenhower is deeply convinced that there can be no long-term assurance of security and vitality for Europe, and therefore for the Western World including the United States, unless there is unity in Europe which will include France and Germany.

In the words of our able Secretary of State:

Until the goals of Edc are achieved, NATO, and indeed future peace, are in jeopardy.

We have, and are, urging Edc upon our European friends, but they are independent nations and we cannot compel them to act. Our concept of unity does not include compulsion. They are not satellites. We of the free alliance are equals. Rightly or wrongly we make our own decisions.

We must understand the reasons for past French hesitation regarding Edc. Originally, of course, the idea was French. Her leading statesmen are still in favor of it. The French people, however, find it hard to forget their ancient conflicts with Germany. They fear a re-armed German State.

The fact is, of course, that Edc is designed to protect them against just that danger. But to many Frenchmen the very thought of a German in uniform brings memories that are still bitterly fresh—memories not of one war but, to some, of three.

Understanding that is not too difficult. There are places in the Deep South in our own country where memories much older than those of the French still motivate certain reactions. The old story of the man who grew up believing "dam-yank" was one word isn't funny in Georgia.

The Europeans have made remarkable progress in the past 10 years toward unity. There is the Organization for European Economic Cooperation, the Council of Europe, the European Payments Union and, of course, the European Coal and Steel Community, all now functioning.

The Berlin conference has probably helped Edc by making it clear that Russia is not genuinely prepared to offer any alternative arrangement to protect the peace and security of Europe.

The demonstration at Berlin of the solidarity of the West was a solid achievement. And they are standing by that solidarity. Eventually, we can hope, they will see that the Edc is more than just a demonstration of solidarity, but solidarity in fact.

The Berlin conference demonstrated equally clearly that the danger from Moscow is unabated. The ultimate Soviet aim is still the destruction and conquest of the free world. This aim undoubtedly will prevail until the Soviet people can freely express themselves; until the Soviet totalitarian structure has gone the way of all dictatorships and is only history.

² BULLETIN of Mar. 8, 1954, p. 343.

³ *Ibid.*, Feb. 8, 1954, p. 179.

Our Partnership With Spain

by James Clement Dunn
Ambassador to Spain¹

First of all, I wish to thank you for your very kind invitation to come to Bilbao, "the Pittsburgh of Spain" and the heart of a great mining and industrial region, to meet with businessmen who are interested in the mutual problems and plans of the Spanish and American Governments.

The impressive economic and industrial record of your outstanding port on the Nervion is well known, as is the importance of your metal and chemical industries here and in the surrounding provinces. Also well known are the stability of Bilbao's banking institutions and the seriousness, energy, and enterprise of its businessmen and industrialists.

Besides being the backbone of the Spanish iron and steel industry and derivatory products, the Bilbao zone contains a blossoming chemical industry with vast possibilities for expansion; and it has for many years been the distribution center for innumerable imported products. In 1953 a total of 4,368 ships of many nationalities entered this busy port, and the press has recently reported that more than a million tons of iron was sold in Bilbao last year. Ships made here such as the *Guadalupe*, the *Covadonga*, the *Monte Urbasa*, and the *Monte Udala* are familiar sights in many ports of the Americas.

You are fortunate, indeed, to live in an area of active and prosperous industry surrounded by the rolling green hills which characterize this great northwest area of Spain. This part of Spain has long been known to my country. Many of your people have relatives and connections in the United States. American ships call regularly at your port, and the ties between us are close.

All of you know, I believe, something of the broad project in which we are now engaged as a result of the economic and military agreements signed between our two Governments last September. There are, actually, three agreements. One provides for the construction and joint use of cer-

tain military facilities in Spain by the United States. Another calls for American economic assistance to strengthen Spain's economy. The third provides for military assistance from the United States to strengthen the defense capabilities of the Spanish Army, Navy, and Air Force.²

Under the terms of our recent agreements, Spain and the United States are not only friends but also partners—partners in a mutual undertaking by two sovereign nations to achieve greater security for each and to protect and preserve their independence from outside encroachment.

At the same time, our joint efforts are not basically anti anything but are constructive and forward-looking. The United States has a deep interest in the long-term economic development of Europe and greatly desires to help further the well-being of its peoples. This can be seen from our policy of extending economic aid and our further effort to strengthen the economies of friendly nations by our program of offshore procurement, for which Spain is now eligible. Under this plan, Spain could produce certain items needed in the common defense with financial support from the United States.

Three Groups Administer Agreements

As you probably know, there are three distinct groups set up in Madrid to help organize and carry out the provisions of the accord with Spain. There is the MAAG (or Military Assistance Advisory Group) headed by General Kissner, which, as its name implies, is concerned with military aid to the Spanish armed forces. There is the JUSMG (or Joint United States Military Group), also headed by General Kissner, which is concerned with the construction of the bases and naval facilities, as provided in the agreement. And there is the United States Operations Mission in Spain, to administer the provisions of the agreement con-

Translation of an address made in Spanish before the American Chamber of Commerce at Bilbao, Spain, on Feb. 24.

² For texts, see BULLETIN of Oct. 5, 1953, p. 436.

cerning economic aid. All of these three groups function directly under the supervision and direction of the Ambassador. Probably the phase of the Spanish aid program most interesting to this active industrial center is the economic aspect. The man who is administering this vital part of our program is Edward L. Williams, here with me today. Also present today are Homer Byington, the new Counselor of the Embassy, and Horace Smith, Deputy Director of the Operations Mission. The group working under Mr. Williams will develop the economic and technical-assistance program in cooperation with the Interministerial Coordinating Commission of the Spanish Government.

You all have had the opportunity to acquaint yourselves with the details of the agreements which were signed nearly 5 months ago, but I think it would be timely now to review some of the basic concepts to which both Governments have agreed. Perhaps one of the most important, and one which your own Government has stressed, is the mutual-ity of the obligations and responsibilities assumed by both parties. Each side receives certain definite advantages in return for those granted the other. The full recognition of this concept has been extremely helpful in the planning stage of this joint program, which is now virtually finished, and will serve as a keystone to our new relationship as we enter the operating phase.

I believe that we can both be proud of what has been accomplished. With respect to defense support for Spain, the first items of American aid arrived last week, consisting of military equipment for Spain's three armed forces and including tanks and guns. As for base construction, the prime contractors have been named in the United States and their first representatives have already arrived in Spain to select qualified Spanish companies which will collaborate with them in this work vital both to the defense of Spain and to the United States. It is expected that the American companies will maintain relatively few technicians here and that they will select through bidding Spanish firms to do much of the actual construction. The Spanish companies and personnel will participate to the maximum extent possible in this building program, which will cover quite a long period. This operation will, we hope, stimulate business activity and provide greater employment throughout Spain.

It is appropriate today to discuss some aspects of the economic agreement which we should all know. For example, what part will dollars play in this program?

As a matter of fact, dollars will not be sent directly to Spain, although aid for the first year of the assistance program is calculated at \$85 million in economic aid and \$141 million in military aid. In addition, the cost of the construction of the bases and naval facilities this first year is expected to be about \$60 million although the

total will be much larger. These are impressive figures, but what we are actually talking about is material, goods, and equipment. The military-aid funds will be spent for equipment such as the items which have just arrived. Under the economic program the dollars will be spent for Spain's agriculture, transportation, and industry. And, most important, these things will come to Spain only after careful study and planning of the relative priorities of Spanish requirements, on the specific request of your Government and after approval by the Spanish Interministerial Commission and our Operations Mission in Madrid. No material whatever will be brought to Spain that is not fully in accord with this joint program.

I would like to render a brief accounting of the economic aid program to date. The entire first \$11 million, announced last fall, has been programmed for raw materials including scrap, copper, aluminum, cotton, rubber, and steel, and for urgently needed agricultural equipment. Plans are nearly complete for the programming—a technical word which means “authorizing to spend”—of an additional \$20 million, most of which will also be for raw materials. As you can readily see, these raw materials are directed quickly into Spanish industry and help to maintain high productive and employment levels.

Opportunities for Technical Assistance

One of the little-publicized parts of the economic agreement is that pertaining to productivity and technical assistance. In this field there is a great opportunity for exchange of ideas and sharing of information and experience. To cite one example briefly, technical assistance is available in the fields of soil conservation, grasslands control, and irrigation. As you know, the United States has large areas in the Southwest which suffer from erosion and recurrent droughts, as do certain parts of Spain. Much progress has been made in combating these problems, and it is believed that both Spain and the United States would profit from an exchange of specialists who know the latest techniques in these fields. Under such a program some of your technicians would go to my country while at the same time American specialists would come to Spain.

As a matter of fact, you have already given us some technical assistance. Outstanding leaders in the fields of learning and medicine have come from Spain to the United States and made distinguished contributions to our culture. It might not be inappropriate for me to mention the Spanish shepherds who have gone to the United States from this very region and given dramatic evidence of the ruggedness, honesty, and patience characteristic of the people of this part of Spain. These are examples of technical assistance, of sharing with each other special skills in one field or another.

Another aspect of the economic agreement which might be stressed is that pertaining to the encouragement of capital investment in Spain. It is our hope that private capital will to an increasing degree help to fill the role played largely by my Government in recent years. In order to achieve this goal, it is necessary that conditions be established in the world encouraging private capital to seek out sound investment prospects, always, of course, in accordance with the laws of the host country. We believe that this is one of the principal means whereby countries can establish and maintain strong and healthy economies, and raise their living standards.

With that in mind, it is interesting to note that American private investment in foreign business operations now exceeds \$16 billion, of which approximately one-fourth has been invested in the past 3 years. We fully realize that the United States should itself take certain steps to see that this level of investment is maintained and even increased. With that in mind, the President recently recommended in his budget message that the United States tax laws be modified so that no deterrents will exist to United States investment abroad but rather that it will be encouraged.

I know from what your own Government officials have said that Spain likewise is interested in this subject. It is heartening to know that there are presently some American firms, in addition to those already located here, which are considering investing in Spain, and I hope it will be possible for them to do so.

Unity of Free World

The world is still subjected to the pressures of international tensions, and while we hope that Western efforts to reduce these tensions will succeed, we must at the same time be prepared for any other eventuality. During the past year, as President Eisenhower told the American people recently, a great strategic change has taken place. He said, "that precious intangible, the initiative, is becoming ours." He added that freedom is threatened so long as the World Communist conspiracy exists in its present scope, power, and hostility. And, as he put it, American freedom is interlocked with the freedom of other people more closely now than ever before, and in the unity of the free world lies our best chance to reduce the Communist threat without war.

I think we will all agree that our Western civilization is confronted today by the greatest danger in its history. In the face of this danger, and while we are preparing our defenses on the economic and military fronts, we must not allow ourselves to be diverted from our firm and noble purpose. It is with encouragement therefore that we have witnessed the unity so notably displayed by the United States, Great Britain, and France at the recent meeting in Berlin—a unity that held

fast despite diversionary tactics which sought to divide and play off one against the other.

Our partnership with Spain likewise must be forged in an unbreakable manner, on good will and mutual, sovereign cooperation. In this way we shall go forward toward world peace and security, devoted to the high cause in which we believe.

We are beginning the year 1954 with confidence that our two nations, in the cooperative spirit that marked the signing of our economic and military agreements last September, will make substantial progress this year in carrying out these accords. Each step will add hope and promise to the West while proving to the forces which seek to divide and conquer us that they face a hopeless task.

Release of John Hvasta

Press release 147 dated March 19

Following are the texts of (1) a letter addressed by John Hvasta to Secretary Dulles on March 4 and (2) Secretary Dulles' reply dated March 16:

LETTER FROM MR. HVASTA

MARCH 4, 1954

MY DEAR MR. SECRETARY: I am most grateful for your good wishes on my return home to the United States after so many years of unjust imprisonment in Communist Czechoslovakia.¹

As I'm sure you understand, it was a difficult time, but still an encouraging one—since I found so many friends of our country behind the Iron Curtain.

The good services of the State Department and of yourself were, of course, most helpful during all that time—a debt that I shall not easily be able to repay. The help of the truly democratic, freedom-loving people of Czechoslovakia was also very substantial in preserving me through these long months.

As you know, I was received and welcomed in our Embassy in Prague as well as given everything necessary to restore me to normal life once more. I take this opportunity to convey my thanks through you to Ambassadors George Wadsworth and U. Alexis Johnson, who were directly very helpful. Please transmit my deepest gratitude to all the other members of our Prague Embassy and of the Department who were so considerate. The well-kept secret of my four month stay at our Embassy is to be credited directly to you and your officials.

Most sincerely

JOHN HVASTA

¹ For text of the letter from Mr. Dulles expressing his gratification at Mr. Hvasta's release, see BULLETIN of Feb. 22, 1954, p. 273; for a statement by the Department on the freeing of Mr. Hvasta, see *ibid.*, Feb. 15, 1954, p. 251.

LETTER FROM SECRETARY DULLES

MARCH 16, 1954

DEAR MR. HVASTA: Your letter of March 4, 1954, is appreciated by all of us, in the Department and abroad, who worked for your freedom and return to this country. We are happy to have you back home again and wish you success as you resume your life here.

Sincerely yours,

JOHN FOSTER DULLES

Export-Import Bank Report

The Export-Import Bank of Washington on March 11 transmitted to the Congress and the President its semiannual report for the half year which ended December 31, 1953.¹ The bank is the foreign lending agency of the U.S. Government.

During this period the bank authorized new credits in the amount of \$171.9 million and allocated \$13.4 million to specific projects financed under credits previously authorized. In the same 6-month period, the bank disbursed \$424.3 million under loan authorizations and received repayments of principal amounting to \$138 million plus interest payments of \$43 million.

As of December 31, 1953, outstanding loans of the bank were \$2.8 billion, with loan commitments not yet paid out amounting to \$519.1 million, which brought the total of active credits to \$3.4 billion, leaving an uncommitted lending authority of \$1.1 billion.

The bank reports net earnings of \$28,446,467 from its lending operations for the half year ended December 31, 1953. Gross interest earnings amounted to \$43,049,729 for the period. Operating expenses consisted of \$14,050,651 interest paid to the U.S. Treasury and administrative expenses of \$552,611. The bank pays interest to the Treasury at a rate determined by the Secretary of the Treasury and based upon average cost to the Treasury of the funds borrowed in the market. The current rate of new borrowings of the bank from the Treasury declined from 2½ percent in July to 2 percent at the close of the period.

During the period under review the bank completed its arrangements to issue war risk and expropriation insurance as directed by Public Law 30 enacted by the 83d Congress in May 1953.

In addition to its regular lending operations during the half year, the bank disbursed \$7,136,361 as agent for the Director of the Foreign Operations Administration. As of December 31, 1953, outstanding loans disbursed by the bank as agent

under the Economic Cooperation Act of 1948, as amended, totaled \$1.5 billion, and interest totaling \$51,480,536 has been collected on these loans.

Under the Defense Production Act of 1950, as amended, the bank disbursed \$7,493,210 during the period under review for the production of essential metals abroad. Outstanding balances of such loans amounted to \$7,862,632 as of December 31, 1953.

The bank is one of the profitable financial activities of the U.S. Government. It paid a dividend of \$22.5 million to the Treasury on July 1, 1953, out of profits made during the fiscal year ended June 30, 1953. Undivided profits and accumulated earned reserve totaled \$324.1 million as of December 31, 1953.

The bank's activities during the last half of 1953 included loans to countries in Latin America, Europe, Africa, and the Far East. Loans were outstanding in 46 countries on all continents. Loans were made to finance the sale of commodities and to assist U.S. suppliers in the sale of equipment abroad. Bank loans were also made for economic development purposes and for the development and expansion of foreign resources and strategic materials and materials essential for U.S. industries.

Reorganization Plan No. 5, transmitted by the President to the Congress on April 30, 1953,² went into effect on August 5, 1953, when Maj. Gen. Glen E. Edgerton took office as Managing Director and assumed the functions formerly performed by the five-man Board of Directors. The Managing Director is assisted by Lynn U. Stambaugh, Deputy Director, and Hawthorne Arey, Assistant Director, as provided for in the Reorganization Plan.

Export-Import Bank Makes Loan in Cuba

The Export-Import Bank of Washington on March 14 announced authorization of an additional credit of \$12 million to the Cuban Electric Company. The additional credit will assist the Cuban Electric Company in the purchase of U.S. materials, equipment, and services estimated to cost \$28 million in connection with an expansion program having a total cost equivalent to \$51 million. A substantial part of the funds required for the program will be obtained from the sale of debt securities in Cuba and loans from Cuban financial institutions including Nacional Financiera de Cuba. Thus Cuban and American capital will participate in financing the program.

Cuban Electric Company is one of the most important subsidiaries of the American & Foreign

¹ Copies of the report may be obtained from the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D. C. (30 cents).

² BULLETIN of July 13, 1953, p. 49.

Power Company, Inc., and supplies electric service to Habana and the other principal communities. Its service area extends over most of Cuba.

The demand for power in the area served by Cuban Electric Company has been increasing at such a rate that the present capacity of the company is unable to meet it. The proposed construction program will increase the generating capacity of the company by 84,000 kw.

The credit will not only assist exports of U.S. goods and services required for the construction program, but will also create a demand for additional U.S. goods as a result of the increased power supply in Cuba.

This credit will be consolidated with an existing credit of \$12 million made by the bank in 1951. The consolidated credit of \$24 million will bear an interest rate of 5 percent per year and will be repayable in semiannual installments over a 20-year period beginning in 1956.

It is expected that funds for this loan will be obtained from private financial institutions in the United States under the bank's guaranty.

Australia Borrows \$54 Million From International Bank

On March 2 the International Bank for Reconstruction and Development made a loan of \$54 million to the Commonwealth of Australia. The loan will be used for the import of capital goods and equipment needed for development in the following fields: agriculture and forestry, road, rail and air transport, electric power, and various industries. The loan will benefit both private and public enterprise; goods imported with the proceeds will be used by farmers, private businesses, and Commonwealth and State authorities.

About one-quarter of the bank's loan will be used for agriculture. Although Australian industries are growing rapidly, agriculture still accounts for 80 percent of the country's earnings from exports. In recent years, much stress has been put on raising agricultural production, and farmers have materially increased their purchases of tractors, hay balers, and other mechanical equipment. At the same time the Commonwealth and State governments have been pushing ahead with projects to increase land use and productivity through reclamation, irrigation, and water conservation. The foreign exchange provided by the current loan will make possible continuing imports for the improvement of existing farms and for opening up new areas to cultivation. Tractors, earth-moving equipment, farm implements, harvesting equipment, and components for their manufacture in Australia will be bought under the loan. The loan will also provide tractors and forestry equipment for the exploitation of forest resources.

About three-fifths of the loan will be used to improve transportation. Australia's rapid economic growth has put increasing burdens on transport facilities of all kinds, and the problem has been accentuated by the long distances to be traveled on the continent. Both Commonwealth and State authorities have been carrying forward extensive plans to improve roads and highways and to expand rail service through the addition of modern equipment, motive power, and rolling stock. Under this loan, funds will be provided for the import of medium and heavy trucks suited to Australian road conditions and for equipment to construct and maintain roads. One million dollars of the loan has been allocated to railway improvement and will be used mainly to purchase components needed for the manufacture of diesel locomotives in Australia.

Much of the amount allocated to transport will be used to modernize and expand air-travel services. Air transport plays an important role both domestically and in international travel to and from Australia. Australia's stable climatic conditions are favorable to air transport, and an extensive network of scheduled air routes has been in operation for many years. The new loan will help pay for four four-engined aircraft to be used in domestic service and for eight four-engined aircraft to be used in international service.

The remainder of the loan amounting to about one-seventh of the total, will assist in the continuing development of electric power and of manufacturing industries. It will be used to buy equipment for iron and steel production, food processing, chemical production, textile processing, mining, metallurgy, metal working and fabricating, and to buy specialized electrical equipment.

This is the third loan made by the bank to assist in financing the development of Australia. A loan of \$100 million, made in August 1950, has been completely disbursed. Three-fifths of the second loan, for \$50 million, made in July 1952, has been disbursed. The loan of March 2 will help cover Australian imports of capital equipment through September 1955.

The loan is for a term of 15 years and bears interest at the rate of 4¾ percent per annum, including the 1 percent commission which will be allocated to the bank's special reserve. Amortization will begin in March 1957.

After having been approved by the bank's executive directors, the loan agreement was signed by the Australian Chargé d'Affaires ad interim in Washington on behalf of the Commonwealth of Australia and by Robert L. Garner, vice president, on behalf of the International Bank.

Improvement in Australian Economy

Since the war, economic development in Australia has been rapid. Beginning in 1949, a large

volume of immigration added to the problems caused by the normal backlogs of consumption and investment demand resulting from the war. Consequently, until early 1952 the process of development was accompanied by continuous inflationary pressure which was at its greatest in 1950 and 1951; and production in the basic economic activities such as agriculture, coal mining, and power was not sufficient to meet rapidly growing demands.

In 1951 strong anti-inflationary action was taken by both the Commonwealth Bank and the Treasury. The budget was designed to produce a large surplus; tax adjustments were made to discourage consumption and investment; and more restrictive monetary and credit policies were adopted. At the same time the rate of immigration declined, and a general improvement in the supply position in the rest of the world led to a large increase in Australia's imports and a substantial balance-of-payments deficit. These forces combined to bring about a sharp reduction in the liquidity of the economy, and the inflation was brought to a halt. During 1952 Australia experienced a mild recession while the heavy imports of the previous few months were absorbed. By early 1953 the small amount of unemployment which had made its appearance in 1952 was diminishing and economic expansion was resumed, though without the steady inflationary pressure which had accompanied the earlier period. In future, therefore, Australian development should be able to proceed without the distorting effects of excessive demand.

The effects of the high level of investment in Australia since the war are now beginning to be apparent. The lags of production in basic industries are now largely overcome. In particular there has recently been an increase in agricultural production, which is of fundamental importance to an economy relying largely on earnings from agricultural exports to purchase the imports it needs. Until the 1952-53 season the failure of agricultural production to expand was a matter of concern in Australia. Since 1939, population had been increasing at about twice the rate of increase of agricultural production so that in 1951-52, which was admittedly an unfavorable season, agricultural production was only 4 percent higher than prewar, whereas population was up 24 percent. The 1952-53 season showed a great improvement, total agricultural production being 18 percent above prewar. The most striking development was a 20 percent increase in the wool clip to 1,280 million pounds, an alltime record. The production of wheat, meat, and sugar also increased substantially. Altogether exports of agricultural produce increased to £A740 million from £A560 million the previous season. The excellent results of the 1952-53 season are only partly due to favorable weather; they also reflect the greater use by farmers of equipment and materials.

Previously farm output had suffered because of shortages of such things as tractors, mechanical harvesters, fertilizers, wire netting, and fencing. Increases in both imports and local production of these essentials in recent years did much to relieve this position and pave the way for growing agricultural production in the future.

The improvement in the Australian economy has also been apparent in industry, where the increase in production since 1946-47 has been substantial, for example: 60 percent in electricity, 30 percent in coal, and 45 percent in pig iron. New capacity under construction is expected to result in a substantially increased output of flat rolled-steel products and refined petroleum in the next year or two.

However, to maintain in the future the rate of progress which has been achieved in the last few years, Australia still needs imported capital equipment in addition to that which can be purchased from her own resources. The bank loan is designed to fill this need.

Exemption of Functions Under Mutual Security Act

EXECUTIVE ORDER 10519¹

SPECIFICATION OF LAWS FROM WHICH FUNCTIONS AUTHORIZED BY MUTUAL SECURITY ACT OF 1951, AS AMENDED, SHALL BE EXEMPT

By virtue of the authority vested in me by section 532 of the Mutual Security Act of 1951, as added by section 7 (m) of the Mutual Security Act of 1952 (Public Law 400, approved June 20, 1952, 66 Stat. 146), it is hereby determined that, to the extent hereinafter indicated, the performance of functions authorized by the said Mutual Security Act of 1951, as amended (including, except as hereinafter otherwise specified, the performance of functions authorized by the Act for International Development, as amended, the Institute of Inter-American Affairs Act, as amended, and the Mutual Defense Assistance Act of 1949, as amended), without regard to the laws specified in the lettered subdivisions of sections 1 and 2 of this order will further the purposes of the said Mutual Security Act of 1951, as amended.

Section 1. With respect to functions authorized by the Mutual Security Act of 1951, as amended, except those exercised by the Department of Defense under authority of section 506 of said Act or the Mutual Defense Assistance Act of 1949, as amended:

- (a) The act of March 26, 1934, c. 90, 48 Stat. 500, as amended (15 U. S. C. 616a).
- (b) Section 3648 of the Revised Statutes, as amended, 60 Stat. 809 (31 U. S. C. 529).
- (c) Section 305 of the act of June 30, 1949 (the Federal Property and Administrative Services Act of 1949), c. 288, 63 Stat. 396 (41 U. S. C. 255).
- (d) Section 3709 of the Revised Statutes, as amended (41 U. S. C. 5).
- (e) Section 3710 of the Revised Statutes (41 U. S. C. 8).
- (f) Section 2 of the act of March 3, 1933, c. 212, 47 Stat. 1520 (41 U. S. C. 10a).
- (g) Section 3735 of the Revised Statutes (41 U. S. C. 13).
- (h) Section 901 of the act of June 29, 1936, c. 858, 49 Stat. 2015 (46 U. S. C. 1241).

¹ 19 Fed. Reg. 1333.

Section 2. With respect to purchases authorized to be made outside the continental limits of the United States under the Mutual Security Act of 1951, as amended.

(a) Section 10 (1) of the act of July 2, 1926, c. 721, 44 Stat. 787, as amended (10 U. S. C. 310 (1)).

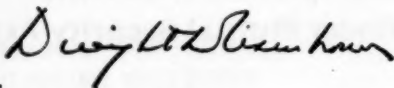
(b) Section 4 (c) of the act of February 19, 1948 (the Armed Services Procurement Act of 1947), c. 65, 62 Stat. 23, as amended, 65 Stat. 700 (41 U. S. C. 153 (c)).

(c) Section 304 (c) of the act of June 30, 1949 (the Federal Property and Administrative Services Act of 1949), c. 288, 63 Stat. 395, as amended, 65 Stat. 700 (41 U. S. C. 254 (c)).

(d) The last proviso of section 201 of the act of December 18, 1949 (the First War Powers Act, 1941), c. 593, 55 Stat. 839, as amended, 64 Stat. 1257 (50 U. S. C. App. 611).

(e) Section 1301 of the act of March 27, 1942 (the Second War Powers Act, 1942), c. 199, 56 Stat. 185 (50 U. S. C. App. 643).

This order supersedes Executive Order No. 10387 of August 25, 1952, 17 F. R. 7799, entitled "Specification of Laws from Which Certain Functions Authorized by the Mutual Security Act of 1951, as amended, shall be Exempt," and Executive Order No. 10446 of April 17, 1953, 18 F. R. 2209,² entitled "Specification of Laws from Which the Escapee Program Administered by the Department of State shall be Exempt."



THE WHITE HOUSE,
March 5, 1954.

Confirmation of Members of Information Advisory Commission

The Senate on March 17 confirmed the following to be members of the U.S. Advisory Commission on Information:

Mark A. May (reappointment)
Justin Miller (reappointment)
Sigurd S. Larmon (in place of Ben Hibbs, whose term had expired)

U.N. Administrative Tribunal Awards of Compensation

Press release 134 dated March 15

The United States filed on March 15, pursuant to article 66 of the Statute of the International Court of Justice, a written statement, furnishing information concerning the questions submitted for advisory opinion to the International Court of Justice by General Assembly Resolution of December 9, 1953.³ The questions are first, whether the General Assembly may legally, for whatever grounds, refuse to give effect to awards of com-

pensation made by the U.N. Administrative Tribunal, and, second, on what grounds it may rely.

The decision to refer these questions to the International Court of Justice was made by the General Assembly as a result of considering awards totaling about \$180,000 made by the Administrative Tribunal of the United Nations during 1953 to certain U.S. citizens, staff members of the United Nations, who were dismissed by the Secretary-General after they had refused to answer various questions concerning Communist Party membership or activity, and espionage, which they had been asked by a subcommittee of the U.S. Senate. As is clear from the questions, which are quoted below, the merits of those awards is not the issue before the Court. The U.S. statement does not discuss the merits of the awards. The U.S. position, in opposition to payment of the awards, was made known last fall when it was put before the General Assembly by the U.S. delegate, Congressman James P. Richards.⁴ There is nothing new to add on this aspect of the matter.

The text of the questions put to the Court is:

(1) Having regard to the Statute of the United Nations Administrative Tribunal and to any other relevant instruments and to the relevant records, has the General Assembly the right on any grounds to refuse to give effect to an award of compensation made by that Tribunal in favour of a staff member of the United Nations whose contract of service has been terminated without his assent?

(2) If the answer given by the Court to question (1) is in the affirmative, what are the principal grounds upon which the General Assembly could lawfully exercise such a right?

The U.S. statement answers the first question "yes." It examines the origin, nature, and charter basis of the Administrative Tribunal and concludes that it remains subsidiary to the General Assembly which established it, which remains responsible for its work, and which must have power to correct its errors. It recites the precedent of the action of the League of Nations Assembly which, in 1946, refused to give effect to 13 awards of compensation made by the League of Nations Administrative Tribunal. The Statute of the United Nations Tribunal was modeled on that of the League.

The statement points out that the U.N. Tribunal lacks a fully developed and accepted body of law, a long judicial development, or even a system of appellate or internal review which are among the cornerstones of such national institutions as the U.S. Federal Courts or the French Conseil d'Etat and which minimize the chances of error. Only the General Assembly can assure the proper development of the Tribunal and retrieve errors it may make.

The statement emphasizes that the budgetary

⁴ For Mr. Richards' statement on the awards in Committee V (Administrative and Budgetary), see U.S. delegation press release 1847 of Dec. 2, 1953; for an earlier statement on personnel questions in general, see BULLETIN of Dec. 21, 1953, p. 873.

² BULLETIN of Apr. 27, 1953, p. 611.

³ Res. 785 A (VIII).

power of the General Assembly is established by the charter and that the Assembly cannot divest itself of responsibility for its exercise. Not only has the General Assembly the right to consider and approve or disapprove a budget item, it has no right to avoid the conscientious discharge of this responsibility.

With regard to the second question, the statement points out a variety of reasons why the General Assembly might decide to refuse to give effect to awards of the Tribunal. They are:

Mistaken reliance by the Tribunal upon false representations of a party in a case;

Interpretation and application of regulations established by the General Assembly with effect contrary to the express or reiterated intent and object of the General Assembly, such as: awards made in flagrant disregard of the statute or rules, to the prejudice of either party; *ultra vires* awards; decisions premised on serious misconstruction of the charter, particularly in regard to the powers and responsibilities of the principal organs, such as: decision invading charter powers or discretion of the Secretary-General, or decision violative of article 101 (3) of the charter;

Decision contrary to an advisory opinion of the International Court of Justice;

Awards arbitrary or unreasonable on their face;

Important and inconsistent decisions giving rise to serious uncertainties in the administration of the Secretariat;

Awards entailing impossible financial consequences for the Organization. Needless to say, duress exercised upon the Tribunal, corruption of the Tribunal, or action evidencing prejudice and improper motives of any of its members would call for similar action by the General Assembly.

It concludes that "the answer to Question (2) is that, as a matter of law, the General Assembly must rely upon policy grounds in refusing to give effect to awards of the Tribunal, acting with due regard for relevant Charter provisions, such as the express stipulation of a 'paramount consideration' in Article 101."

The United States must await an opportunity to examine the statements admitted by other governments before deciding upon its next step in the present proceedings.

THE DEPARTMENT

Confirmation

The Senate on March 17 confirmed the nomination of David McK. Key to be an Assistant Secretary of State.

March 29, 1954

Designations

David S. Smith as Special Assistant to the Acting Deputy Under Secretary for Administration, effective March 18.

David W. Wainhouse as Deputy Assistant Secretary for United Nations Affairs, effective March 1.

Current Legislation on Foreign Policy: 83d Congress, 1st Session

Tensions Within the Soviet Captive Countries: Bulgaria. Part 1. S. Doc. 70, July 28 (legislative day, July 27), 1953, VI, 25 pp.

Korean War Atrocities. Hearing before the Subcommittee on Korean War Atrocities of the Permanent Subcommittee on Investigations of the Senate Committee on Government Operations Pursuant to S. Res. 40. Part 3, December 4, 1953, pp. 149-228.

Activities of United States Citizens Employed by the United Nations. Hearings before the Subcommittee To Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Senate Committee on the Judiciary. October 2, 29, and December 22, 1953, part 5, pp. 643-695.

83d Congress, 2d Session

Overseas Information Programs of the United States. Hearing before a Subcommittee of the Senate Committee on Foreign Relations. Part 3, January 15, 1954, pp. 1563-1642.

Exchange of Surplus Agricultural Commodities. Hearing before the Subcommittee on Real Estate and Military Construction of the Senate Committee on Armed Services. January 27, 1954, 22 pp.

Commission on Foreign Economic Policy. Minority Report. H. Doc. 290, Part 2, January 30, 1954, V, 20 pp.

Fifteenth Semiannual Report of the Atomic Energy Commission. S. Doc. 78, January 1954, VIII, 151 pp.

Voice of America. Report of the Committee on Government Operations Made by Its Senate Permanent Subcommittee on Investigations Pursuant to S. Res. 40. S. Rept. 928, February 3 (legislative day, January 22), 1954, 14 pp.

International Sugar Agreement. Message from the President of the United States Transmitting the International Sugar Agreement, Dated in London, October 1, 1953. S. Exec. B, February 3, 1954, 36 pp.

Granting of Permanent Residence to Certain Aliens. Report to accompany H. Con. Res. 197. H. Rept. 1177, February 4, 1954, 2 pp.

Departments of State, Justice, and Commerce Appropriations for 1955. Hearings before the Subcommittee of the House Committee on Appropriations. Department of State, United States Information Agency. January 25-February 4, 1954, 593 pp.

Discontinuing Certain Reports Now Required by Law. Report to accompany H. R. 6290. Committee on Government Operations. H. Rept. 1193, February 8, 1954, 12 pp.

Annual Report of the Committee on Un-American Activities for the Year 1953. H. Rept. 1192, February 6, 1954 (original release date), February 8, 1954, VII, 195 pp.

Report to Congress on the Mutual Security Program

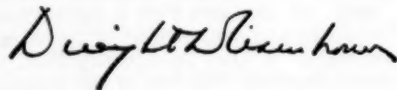
The President transmitted to the Congress on March 8 a Report to Congress on the Mutual Security Program for the Six Months Ended December 31, 1953.¹ Printed below are the texts of the President's letter of transmittal and chapter I of the Report, entitled, "Foreign Operations: A Progress Report." Titles of the other chapters are "Europe," "Near East, Africa, and South Asia," "Far East," "American Republics," and "Other Parts of the Program."

PRESIDENT'S LETTER OF TRANSMITTAL

To the Congress of the United States:

I am transmitting herewith the report on the Mutual Security Program covering operations during the 6-month period, June 30, 1953, to December 31, 1953, in furtherance of the purpose of the Mutual Security Act of 1951, as amended.

In this report is factual evidence of valuable progress being made through mutual efforts toward the vital goal of increased security for this Nation and all the free world.



THE WHITE HOUSE,
March 8, 1954

FOREIGN OPERATIONS: A PROGRESS REPORT

A series of new and vital measures to promote the defense capabilities, economic strength, and technical advance of the peoples of the free world marked the progress of the mutual security program during the second half of 1953. These measures reached into every part of the globe, from Latin America to Western Europe to the Near East and Africa and around to South Asia and the Far East. They embraced a multitude of action programs, diverse in character and varied in approach, but all with one central objective: "to maintain the security and promote the

foreign policy of the United States." This is the objective laid down by the Congress, and every step taken under the mutual security program has been directed toward its accomplishment.

The Soviet Union and the governments under its control by their actions and attitudes continue to threaten world peace. The mutual security program is based on the practical concept that no one nation, including the United States, can meet this threat with maximum effectiveness by acting alone. The resources and capabilities of the entire free world, strengthened and united in a mutual effort, constitute the best insurance against further aggression and the best means ultimately to remove the tensions and fears which so greatly retard world progress.

Because the threat has manifested itself in so many forms and in so many places, the United States of necessity has moved on a number of fronts. But, everywhere, the basic purpose of our operations abroad has been to build strength and stability throughout the free world. This purpose underlies all mutual security programs whether they concern military aid, economic support, technical cooperation, or world-wide use of our farm surpluses. These measures reinforce the security of the United States; simultaneously, they help to increase the self-reliance of our free world allies.

In terms of tangible returns for the United States, the mutual security program provides overseas military bases, combat-ready manpower greater in numbers than our own, more productive sources of strategic materials, added industrial capacity, and healthier, stronger partner nations. Above all, it encourages millions of people to work with us in the unceasing quest for world stability and world peace.

ECONOMIC IMPROVEMENT AND SHIFT IN EMPHASIS OF AID

Of particular importance in influencing the recent course of United States mutual security programs has been the general improvement in world economic conditions.

One indication of the strong recovery in the economic health of the free nations of the world lies in a comparison of United States aid and United States exports over the past 4 years. In 1949, this country financed about 35 percent of its total exports of nonmilitary goods and serv-

¹ H. Doc. 337, 83d Cong., 2d sess.

ices by grants and loans. In 1953, only about 15 percent was financed by United States aid.

Western Europe, in particular, has made a steady advance. European industrial and agricultural production has risen to new peaks, gold and dollar reserves have increased substantially, currencies have become firmer, inflationary pressures have generally leveled off, and the defense position of the European NATO countries has continued to strengthen.

These achievements—tangible evidence of the successful combination of United States aid and the energies of the European people—gradually have made it possible to reduce our assistance to Western Europe as a whole. For the future, as the Director of the Foreign Operations Administration, Mr. Harold E. Stassen, noted following his return from the November meeting of the Ministers of the Organization for European Economic Cooperation, "there is a very definite indication that Western Europe can maintain substantially its current defense budgets, and at the same time move forward on a sound economic basis with a considerable reduction in military aid and also—with a few exceptions—the termination of United States economic assistance."

The economic achievements in Europe have permitted a proportionately greater concentration on United States technical cooperation and special economic aid programs in the less developed areas of the world. By carefully planned and properly supported undertakings in these areas, by pinpointing projects on a selected priority basis, by more intensive effort on the part of the participating countries, and by our own cooperative assistance, there is every reason to believe that the peoples of the underdeveloped countries will lift themselves onto much higher levels of economic well-being.

EXPANDED TECHNICAL COOPERATION

A world-wide technical cooperation program has been developed and expanded by the Foreign Operations Administration to meet the need for a long-range and relatively economical method of carrying out United States policy objectives for world stability. During the last 6 months, recruitment of qualified technicians has improved, and the United States now has more specialists in the field than ever before. These professional experts, working on the spot and close to the problems at hand, are imparting knowledge of modern methods to the people of the less developed areas. Through increasingly productive cooperative relationships and individual contacts, the foundation to future progress in the underdeveloped areas is being laid. Present plans project an expanding program of technical cooperation, with economic aid, where it is essential, carefully geared into the objectives of the various individual projects.

There are good and compelling reasons why technical cooperation operations must be planned and executed within the overall framework of the total United States effort to help promote world progress. In most areas, the effectiveness of a technical cooperation program is closely involved with important economic considerations. In some countries, such as Bolivia, for example, technical cooperation must be related to the problem of diversifying a single-industry economy. In other countries, such as India, the technical cooperation program has to be planned with a view to the ultimate effects on the labor force, particularly with regard to possible increases in unemployment or disrupting shifts as between agriculture and industry.

Integration of technical and economic measures for planning and operating purposes increases the effectiveness of each component, and thereby the impact of the total program. This does not imply subordination or amalgamation so that the technical cooperation programs lose the enormous good will they have built up over the years. There continues to be a clear-cut technical cooperation program in each country taking part in the technical cooperation effort.

The effectiveness of the technical cooperation program is being further enhanced by enlarging the opportunities for United States colleges and universities to participate directly in country projects. The Foreign Operations Administration is assisting American universities to develop local technical centers in the host country; there are currently 30 universities under contract in 17 countries.

Some of these contracts are directly with the Foreign Operations Administration; others are with the local universities of the foreign countries. As part of the effort to increase the participation of United States colleges and universities in technical cooperation programs, arrangements are being made to extend contracts over a three-year period. United States institutions would be encouraged to assist foreign institutions in such fields as agriculture, health, education, public administration, and engineering.

AID, TRADE, AND U.S. ECONOMIC HEALTH

Expanded world trade is of vital importance in the effort to build greater world stability and ultimately remove the requirements for large-scale United States assistance. As the previous Report to Congress on the Mutual Security Program² pointed out, the American economy cannot be divorced from the world economy. That report gave specific instances to show that America's great productive capacity could not be long maintained, let alone enlarged, without the vast quantities of basic materials provided by other coun-

²For the period ended June 30, 1953. [Footnote in the original.]

tries. It also showed that the high level of our prosperity, particularly with regard to the farmer, depends to a great extent upon the amount of goods other countries are able to buy from us, and it brought out the vital importance of two-way international trade to our own continued economic prosperity.³

Recent statistics strikingly re-emphasize these same hard facts. United States total agricultural exports for the 1952-53 crop year amounted to \$2.8 billion. Significant though this figure is in showing the magnitude of American farm income derived from abroad, it is, nevertheless, 30 percent below the agricultural export figure for the preceding 12 months of 1951-52, and 20 percent below the 5-year average for the crop years 1947-52. The volume of exports of wheat and wheat flour in crop year 1953 dropped by 33 percent under the previous 12-month period; lard dropped by 33 percent; and cotton and cotton linters, by 50 percent. Though farm exports evidenced an upward trend during the latter half of 1953, they were still substantially under the 1947-52 average.

American industry, too, leans heavily on its foreign markets. As of the third quarter of 1953, our nonagricultural exports, excluding military aid shipments, were running at the rate of about \$9 billion for the year. On the same basis, these are some of the items American industry exported for the full year 1953; over 250,000 automobiles and trucks; almost 500,000 refrigerators and freezers; almost 12 million barrels of lubricating oil; and more than \$1 billion worth of machine tools, agricultural machinery, and tractors.

Our farms and factories could ill afford to lose these enormous sales abroad, but the extent to which the foreign market for American goods contracts or enlarges depends in great measure upon the amount of dollars other countries have available to spend. With economic aid tapering off, a constantly expanding volume of international trade, coupled with increased outflow of private United States investment capital, is the only real, long-term solution to dollar shortages abroad. In this connection, it should be noted that much of the improvement in Western Europe's gold and dollar reserves has been due to the extraordinary United States military expenditures in Europe and to the fact that the European countries as a whole have been buying less from the hard-currency areas. Other countries of the world, also, have in general been trying to conserve their dollar exchange. As a result, the overall volume of international trade has remained rather constant. This is not the sort of stability we are seeking. Stable economies should not mean static economies. This could lead only to eventual economic stagnation. Rather we look to increase the flow of mutually profitable worldwide trade.

³ BULLETIN of Sept. 21, 1953, p. 384.

It is an exceedingly difficult and complex task to develop a national trade policy consistent with America's position as the world's greatest creditor and greatest producer, and, at the same time, not place inequitable burdens either upon specific segments of the American economy or upon other nations who must earn their living in the world. Yet, unquestionably, if the nations of the world are to flourish and move on to higher levels of trade, production, and living standards, the formulation and activation of such a policy is of utmost importance.

In this connection, the recommendations recently made by the President's bipartisan Commission on Foreign Economic Policy, headed by Clarence B. Randall,⁴ are being carefully considered.

THE NEED FOR PRIVATE INVESTMENT ABROAD

Along with other measures, international investment plays an essential part in achieving a larger volume of world trade and production. Private investment abroad brings two-way benefits. It enables the recipient country to make more rapid strides toward development of its own resources, toward greater productivity of its agriculture and industries, and toward better living standards for its people. For the investor, in addition to immediate monetary returns in the form of earnings and reinvestment capital, it brings new markets and a wider demand for his products; in many cases, it provides additional sources of needed supplies. During the 6-month period, discussions were carried on with various governments on ways to utilize United States private investment capital to the greater mutual advantage of the investor and the country involved. These discussions proved particularly fruitful with reference to Turkey. The Turkish Government has passed legislation to remove many of the obstacles which heretofore have retarded the use of private development capital.

RAISING WORLD LIVING STANDARDS

In any consideration of the various ways by which the United States can assist other countries in their efforts to make better use of their resources and speed their development, we must keep sight of the fact that our primary concern is not with production statistics and index numbers, but with people. The ultimate aim of our technical and economic programs is to advance the well-being and improve the standard of living of the individual farmer and the individual worker.

Western Europe has the world's largest reservoir of skilled manpower and is second only to the United States in industrial capacity. Yet per capita gross national product for Western Europe as a whole—that is, the individual share of the

⁴ *Ibid.*, Feb. 8, 1954, p. 187.

value of total goods and services produced—is less than \$600 a year, compared to over \$2,200 a year in the United States.

The industrial worker in Europe lags far behind his American counterpart in terms of what he can purchase for the work he does. In Great Britain, for example, in 1953, one hour's wages bought about 60 percent of the food that an hour's wages bought in the United States. In France, it bought about 50 percent; in Germany, 40 percent; in Italy, 30 percent. These comparisons include certain subsidies and allowances which in some instances supplement take-home pay, but even with these added factors the purchasing power of the average European worker remains far below that of his counterpart in this country.

In the less developed areas of the world, the situation is far worse than in Europe. In most of Asia and the Near East, per capita gross national product is less than \$100 a year. In Latin America, although there is a wide variation among countries, the average is below the levels required to support an adequate standard of living.

It is essential to any forward economic movement that effective steps be taken to improve world living standards by increasing the real wages of the worker, and by achieving higher productivity and greater output to meet the expanding purchasing power.

The United States has consistently encouraged the efforts of other nations in their work toward these ends. It has actively supported European measures to eliminate restrictive practices, liberalize intra-European trade, and create a single European market based on expanded production and healthy competition. It has attempted, through its productivity programs in various countries of the world, to insure that the benefits of increased turnover and greater productive efficiency are shared equitably with workers and consumers. Through pilot projects and person-to-person demonstration methods, our technicians have shown practical means by which the farmer and the worker in the underdeveloped areas can improve their methods of production.

These measures, however, cannot do more than stimulate and reinforce the far greater self-help measures of the other nations of the free world. Theirs is the main task of carrying forward the difficult, but imperative, actions required to satisfy the needs and aspirations of their peoples.

A Period of Positive Actions

The period covered by this report—July 1 through December 31, 1953—was highlighted by a number of noteworthy actions under the mutual security program:

MILITARY DEFENSE

Global Military Shipments.—A growing supply of essential military weapons and equipment

continued to flow to our allies in all parts of the world. Total shipments in 1953 amounted to \$3.8 billion—more than 60 percent higher than in 1952, although shipments during the second half of the year were running at a somewhat lower rate than during the first half-year period. The cumulative value of military grant-aid shipments from the inception of the military assistance program in October 1949 through December 31, 1953, totaled \$7.7 billion. Almost 50 percent of this 4-year total was shipped during 1953.

On a global basis, the major items delivered through December 31, 1953, included:

- 99,444 electronics and signal equipment items.
- 30,792 tanks and combat vehicles.
- 176,343 motor transport vehicles.
- 30,037 artillery pieces.
- 35,372,000 rounds of artillery ammunition.
- 601 Navy vessels.
- 5,340 aircraft.

Almost 2 million small arms and machine guns were shipped, along with about 1,100 million rounds of small arms and machine gun ammunition.

NATO Buildup.—The NATO force goals for 1954, agreed upon by the 14 member countries at the end of 1953, call for a 5-percent increase in army divisions, a 15-percent increase in naval vessels, and a 25-percent increase in aircraft. The European NATO countries spent over \$11.5 billion on defense measures in 1953. To meet the force goals, these countries plan a moderate increase in their military expenditures during 1954. This increase follows a more than twofold rise in expenditures since Korea.

The combined NATO forces had grown considerably by the end of 1953. As compared with January 1951, NATO's active divisions had more than tripled, and naval strength had also been considerably expanded. Plane strength had increased more than 2½ times; old-type piston-driven aircraft had been replaced by modern jets. Airfields had increased from 15 to more than 120; more were planned for the next 2 years.

Reinforcing the Military Effort in Indochina.—The United States made available an additional \$385 million to reinforce the effort of France and the Associated States of Indochina, Cambodia, Laos, and Viet-Nam in the 8-year-old war against the Communist-led Viet Minh forces. This amount was in addition to the \$400 million previously appropriated by Congress for special financial aid for fiscal year 1954. During the latter half of 1953, arrangements were made to channel this assistance to the Indochina theater of operations in order to give full support to General Navarre's plan for revitalizing the campaign against the Viet Minh aggressors.

The rate of United States military shipments to Indochina in 1953 was 50 percent higher than in 1952. Deliveries under the mutual security

program have included substantial quantities of ammunition, aircraft, transport and combat vehicles, naval vessels, and a wide range of other needed materiel.

A Combined Program for Spain.—After 18 months of negotiation, the United States signed three bilateral agreements with Spain in September 1953 to strengthen the defense capabilities of the West. These agreements covered: construction and joint use of military bases in Spain; military assistance; and economic aid and technical cooperation. For the fiscal year 1954, \$226 million has been programmed for military and economic aid to Spain.

By the end of the year, a United States Operations Mission, for economic and technical programs, and a Military Assistance Advisory Group, both under the Ambassador, already were established in Madrid and working with the Spanish authorities to carry out the proposed programs.

ECONOMIC STRENGTH

Support to Korea.—Within 4 days of congressional approval in August of a \$200 million emergency aid program for Korea, the Foreign Operations Administration had dispatched initial supplies of needed rice, barley, and cotton; later, fertilizer and rubber were added. By the end of 1953, substantial quantities of these commodities had arrived in Pusan harbor.

Over \$400 million has been programmed for fiscal year 1954 to be used to assist the courageous Korean people in their effort to rebuild and strengthen their war-torn country. This amount includes activities of the Foreign Operations Administration, the Department of Defense, and the United Nations Korean Reconstruction Agency. In December 1953, an agreement was signed with representatives of the Republic of Korea,⁵ covering necessary arrangements for an integrated program of economic recovery and financial stabilization.⁶

Bolstering Iran's Economy.—Iran was confronted with financial disaster at the time Prime Minister Zahedi took office in August 1953. To help the new and friendly Iranian Government through its economic crisis, the President made an emergency grant of \$45 million to Iran in September. Substantially all of these funds had been obligated by the end of the year for financing imports of urgently needed commodities and for temporary budget support. The immediate crisis was successfully met, but Iran continued to face a variety of deep-seated problems. The problem of oil exports, in particular must be solved if the

country is to move toward more durable economic strength.

Aid to Bolivia.—Special programs of emergency economic aid and expanded technical cooperation were initiated for Bolivia to help the country meet a critical situation brought on by the sharp drop in world tin prices. Almost 60 percent of Bolivia's export trade consists of tin. With its foreign exchange seriously depleted by the loss of earnings from its main export item, the Bolivian Government lacked the resources to finance imports of needed food and other commodities in short supply.

In October 1953, \$5 million worth of surplus wheat and wheat flour were programmed for shipment to Bolivia. Moreover, up to \$4 million of mutual security funds was programmed for further economic aid, including the purchase of additional United States agricultural commodities.

In conjunction with these emergency programs, other measures were taken to provide more basic solutions to Bolivia's food problems. Another \$2 million was added to the technical cooperation funds for the country, and emphasis was placed on those projects which will most rapidly increase Bolivia's food production.

Recovery in Austria.—The determined efforts of the Austrian people, supported by United States assistance during the critical postwar years, have brought the Austrian economy to the point where no direct economic aid funds are required for the fiscal year 1954. Another name was thus added to the list of European countries whose economic progress has enabled them to continue building strength without further economic aid. These countries include Belgium, Denmark, Iceland, Ireland, Luxembourg, the Netherlands, Norway, Portugal, and Sweden.

Austria's economic progress testifies to the success of the joint recovery programs of Austria and the United States. For example, Austrian gold and dollar reserves increased by \$95 million during 1953 to reach a total of \$238 million at the end of the year. This represents a rise of more than 130 percent since 1951. Exports climbed from \$286 million in 1949 to an estimated \$530 million in 1953. Industrial production increased by nearly 40 percent in the same period.

The Austrian Government, in carrying forward its programs to increase industrial and agricultural productivity, will continue to participate in the United States technical cooperation program.

CONSTRUCTIVE USE OF FARM SURPLUSES

Agricultural Surpluses for Friendly Countries.—The desire of Congress to reduce surplus farm stocks is being meshed with our foreign economic programs. Under Section 550 of the mutual security legislation, Congress provided that from \$100 million to \$250 million of mutual security funds appropriated for fiscal year 1954

⁵ For text of agreement for a program of economic reconstruction and financial stabilization, see BULLETIN of Jan. 11, 1954, p. 65.

⁶ On January 26, 1953, Congress approved the Mutual Defense Treaty between the United States and the Republic of Korea. [Footnote in the original.]

shall be used for the purchase of surplus agricultural commodities to be sold to friendly countries for foreign currencies.

The proceeds from such sales can be used for providing military assistance to our allies, for purchasing goods or services abroad to provide economic assistance, for loans to increase the production of strategic materials, and for similar constructive purposes. By the end of 1953, nearly \$60 million had already been allotted for sales of agricultural surplus commodities. (Total allotments through January 31, 1954, increased to nearly \$90 million. By the end of January, also, about \$80 million of additional sales were under active negotiation with a strong probability of concluding such sales within 60 days. Another \$100 million worth were under consideration, of which it was estimated that \$50-\$60 million worth might materialize.) Special precautions are being taken to safeguard against displacing usual marketings of either the United States or friendly countries.

Food Parcels to East Germany.—In a little over 2 months, nearly 1 million East Germans crossed to the western side of the Iron Curtain to pick up and take home about 5½ million parcels containing 18,000 tons of American food products. The United States, acting in cooperation with the West German Republic, instituted this food program in July 1953 to show by concrete action the concern of the West for the hungry people of East Germany.

Despite various pressure tactics by their Soviet-dominated government, the East Germans swarmed into the Western Zone to get the food they needed. The good will evoked by this humanitarian program, and the better understanding fostered between East Germans and the West, more than repaid the program cost.

Special Food-Package Program.—The various food programs of the United States serve as a means whereby the people of free world countries share directly in the benefits of our operations abroad. In addition to the "550" agricultural surplus and East German food programs, special food packages were distributed on a world-wide basis during Christmas-time 1953. These packages, holding 12 to 14 pounds of foodstuffs in abundant supply in this country were delivered to needy families in Western Europe, the Near East, and Latin America. With the cooperation of the foreign governments involved, the packages, marked with the clasped-hand emblem symbolic of United States programs abroad, were distributed through local charitable groups and other relief agencies.

Emergency Wheat Shipments.—The Pakistan wheat program was inaugurated in late July 1953 to counter the threat of famine which faced the friendly Pakistan people after two successive years of drought. By the end of December 1953, about 600,000 tons of wheat, programed under

special legislation, had been delivered or was en route. The Ambassador of Pakistan stated in November that receipt of the wheat from the United States was helping to save millions of his people from starvation.

During the second part of 1953, food relief programs were also carried out for Bolivia, Jordan, and Libya. Under these programs 57,200 tons of surplus wheat are being furnished to alleviate serious food shortages in these countries. Bolivia will receive 45,000 tons of wheat under the \$5 million emergency authorization for the country previously mentioned. Jordan received 10,000 tons of wheat; and Libya, 2,200 tons. The total value of the grain shipments to these three countries, programed under Public Law 216, is estimated at \$6.5 million.

STREAMLINING FOR GREATER EFFICIENCY

The Presidential reorganization plan creating the Foreign Operations Administration (FOA) became effective on August 1, 1953.⁷ By October 1, the necessary reorganization measures were completed. The Mutual Security Agency, the Office of the Director for Mutual Security, the Technical Cooperation Administration, the Institute of Inter-American Affairs, and several other formerly segmented foreign operations were merged into a single unified structure.

In carrying forward its various activities abroad, the FOA receives foreign policy guidance from the Secretary of State and guidance on military policy from the Secretary of Defense. Broad proposals for any major undertaking overseas are passed upon by the National Security Council. On this Council regularly sit as statutory members the President, the Vice-President, the Secretaries of State and Defense, and the Directors of the Foreign Operations Administration and the Office of Defense Mobilization. Approval by the National Security Council thus insures that the actions carried out under the mutual security program are coordinated with the nation's security interests.

The Public Advisory Board and the International Development Advisory Board, both composed of outstanding private representatives of the American people, also provide valuable advice on basic matters of foreign operations.

This integrated pattern of operation permits a more concentrated and effective approach to the problems of free world security and development. A specific situation of assistance to a given country, for example, may involve not only technical cooperation but also the question of raw materials prices, the relationships to our own stockpiling, the issue of East-West trade controls, the extent of the country's available markets, its economic and defense ties with neighboring countries,

⁷ For text of reorganization plan, see *ibid.*, June 15, 1953, p. 852.

and its capacity to absorb a certain scale and type of aid. All these complex matters, so closely interwoven, are now being considered in the light of one consistent operational policy so that the greatest possible advance can be made toward the desired goals.

For most rapid and efficient action, the field of FOA operations was organized into four regional divisions—Europe; Near East, South Asia and Africa; Far East; and Latin America. These regions correspond exactly in area coverage to the geographic regions of the Assistant Secretaries of State. This regional breakdown thus insures a direct coordination between program operations and policy formation.

Another component deals with the difficult and far-reaching problem of controls on trade relating to the Soviet Bloc, more familiarly known as East-West trade. In addition, since various problems that arise in different parts of the globe have many similarities in method of treatment, a number of technical activities—for example, food and agriculture, industrial and labor affairs, trade and investment—were grouped to operate on a functional basis.

Along with these fundamental organizational principles, the Director of the Foreign Operations Administration, Mr. Stassen, also introduced a fresh approach to the actual conduct of the various programs and projects. Procedures were worked out to decentralize to a much greater degree than ever before the authority and responsibility for taking the initiative and making decisions. In line with this emphasis on decentralization, increased reliance has been placed on the judgment and effectiveness of the regional directors in the Washington organization and the Mission directors in the field. The overseas Missions, in turn, have decentralized their own operations by working more in the grass roots areas and less in the capital cities.

The consolidation of agencies and functions into the organizational framework of the FOA made it possible to effect a heavy reduction in administrative overhead. Total direct employment in Washington was reduced by 24 percent, or some 450 positions, between January 31 and December 31, 1953. In the same period, the European Regional Office in Paris was cut by 56 percent in personnel strength; also, the three ambassadorial positions in Paris were reduced to one. Direct employment in the European Missions was reduced by about 30 percent. On the other hand, the number of United States technicians in the field in the underdeveloped areas has been increased by 35 percent to accord with the invigorated technical cooperation effort. In summary, Washington overhead has been reduced, and overseas effectiveness has been increased. These personnel shifts have been carried out in conformance with the expressed wish of Congress to reduce administrative costs by 20 percent.

The FOA has been woven into a cohesive, tightly knit organization, working with maximum economy and full efficiency to accomplish the objectives of United States policy.

Mutual Security and the Future

As strength in the free world, particularly in Europe, has grown, total funds appropriated for United States programs overseas have been gradually decreased. The reductions in military and economic aid, in general, have paralleled the growing self-reliance of the nations we are helping. In several countries, the need for United States aid is over; in others, this aid has been considerably reduced in magnitude; in still others, aid will most probably reach an end in the near future as economic strength is built up. On the other hand, a number of new or expanded programs have been initiated—such as the increased effort against Communist aggression in Indochina, the rebuilding of war-shattered Korea, and the new agreements with Spain. We are also working out methods of using our domestic food surpluses overseas.

To produce truly worthwhile and durable results, United States programs abroad must be planned and carried out in the context of long-range calculations. The development of the NATO alliance, the global buildup of military bases and military forces, the technical cooperation and special economic aid programs in the less developed areas—these programs are being contracted or expanded in accord with plans to attain positions of solid free world economic and military strength to combat a long-term danger and enhance the opportunities for world stability. Such programs cannot be drastically cut without undoing much of the rewarding success that has been so painstakingly and laboriously achieved.

The amounts and types of aid we give must depend, of course, on changing world conditions. As long as the United States maintains its prominent position in world affairs, and as long as the harsh threat to world peace exists, our country will continue to shoulder the heavy obligations of world leadership. The United States cannot properly live up to the unavoidable responsibilities of power and at the same time serve the best interests of the American people without responding in a positive way to the needs of other free peoples who require some measure of outside support in trying to lay the stepping-stones to their own advancement. The long-term goals of the mutual security program are inseparably interwoven with the long-term security of the United States and with world efforts for freedom, progress, and peace. It is on this basis that mutual security program operations are moving forward throughout the free world.

Continuance of Assistance to Denmark, France, Italy, Norway, and the United Kingdom

LETTER FROM THE PRESIDENT TO CONGRESSIONAL CHAIRMEN

White House press release dated March 5

The President has sent the following identical letters to Styles Bridges, Chairman, Committee on Appropriations, U.S. Senate; Leverett Saltonstall, Chairman, Committee on Armed Services, U.S. Senate; Alexander Wiley, Chairman, Committee on Foreign Relations, U.S. Senate; John Taber, Chairman, Committee on Appropriations, House of Representatives; Dewey Short, Chairman, Committee on Armed Services, House of Representatives; and Robert B. Chiperfield, Chairman, Committee on Foreign Affairs, House of Representatives:

DEAR MR. CHAIRMAN: This is to inform you that, pursuant to Section 103 (b) of the Mutual Defense Assistance Control Act of 1951, and in accordance with the recommendation of the Director of the Foreign Operations Administration, concurred in by the Department of State, the Department of the Treasury, the Department of Defense and the Department of Commerce, I have directed the continuance of United States assistance to Denmark, France, Italy, Norway and the United Kingdom, because the cessation of aid would clearly be detrimental to the security of the United States.

The details of these cases will be found in the attached copy of letter from the Director of the Foreign Operations Administration.

Sincerely yours,

DWIGHT D. EISENHOWER

RECOMMENDATION OF DIRECTOR OF FOREIGN OPERATIONS ADMINISTRATION

MARCH 3, 1954

DEAR MR. PRESIDENT: Under the Mutual Defense Assistance Control Act of 1951 (Battle Act), it is necessary to report to you concerning

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shipments of commodities of primary strategic importance which countries of the free world have permitted in the course of their trade with the Soviet bloc.

Most of these shipments continue to be "prior commitments"—that is, shipments resulting from commitments that were made prior to the effective date of the Battle Act embargo provisions. Others are the results of more recent commitments which, in unusual circumstances, Western countries have considered necessary or in the long run beneficial to themselves and to the free world, because of the two-way trade that was made possible by the strategic shipments.

This letter has to do with shipments permitted by Denmark, France, Italy, Norway, and the United Kingdom.

I have carefully examined these cases. And I concur in the judgment of my Deputy for Mutual Defense Assistance Control, Vice Admiral Walter S. DeLany, U.S.N. (Ret.), that this country in its own interest cannot afford to use these shipments as a basis for terminating United States assistance to any of the five countries involved, because such termination would clearly be detrimental to U. S. security. This is also the judgment of the Department of State, the Department of Defense, the Department of Commerce, and the Department of the Treasury.

Therefore, as Director of Foreign Operations, responsible for the administration of the Mutual Defense Assistance Control Act of 1951, I hereby recommend that you exercise your authority under Section 103(b) of this Act and direct the continuance of aid to Denmark, France, Italy, Norway, and the United Kingdom.

Section 103(b) forbids all military, economic, and financial assistance to a country that knowingly permits the shipment of items listed for embargo under the Act, except that the President "may direct the continuance of such assistance to a country which permits shipments of items other than arms, ammunition, implements of war, and atomic energy materials when unusual circumstances indicate that the cessation of aid would clearly be detrimental to the security of the United States."

These five countries have not permitted the shipment of any arms, ammunition, implements of war, or atomic energy materials to the Soviet bloc. Following is a summary of the less strategic but nevertheless important shipments which they have permitted and which have not been covered by any previous Presidential determination with respect to these countries. (All of these shipments went to Eastern Europe, none to Communist China.)

Denmark

On October 21, 1953, a Danish shipbuilding company delivered to the U.S.S.R. the second of two tankers which were included in a Danish-Russian trade agreement signed in July 1948. The second tanker is valued at \$2,181,647. The commitment to ship the two tankers was made three and a half years before January 24, 1952, the date when the Battle Act embargo lists (including tankers) first went into effect. Thus the two vessels have been a part of the "prior commitment" problem, one of the most difficult problems that has arisen in the administration of the Battle Act.

The first tanker was delivered to Russia on July 7, 1952, and a Presidential determination to continue aid to Denmark was reported to the Congress on July 25, 1952.

A contract with a Danish firm to build the second tanker was signed in November 1950, for delivery in the fourth quarter of 1953. At the same time the Danish government issued an unconditional export license to the shipbuilding firm. The Danish Government takes the position that there was no legal or contractual authority for revoking the license and that a default would have been a breach of both international and private obligations. The U.S.S.R. has met all its obligations under the trade agreement, and the tanker itself was almost completely paid for in advance of delivery.

As in the case of the first tanker, the United States Government sought through high-level representations to persuade the Danish government not to permit delivery of the second vessel. The United States took the position that considerations of national security must override other considerations when there is a clear and present danger to the very survival of free nations. The government of Denmark, while recognizing the strategic importance of the tanker and the changed world conditions since the signing of the agreement, continued to hold the position that it was bound to meet its commitments.

Now that the tanker has been delivered despite the efforts of the United States Government, we are faced squarely with the question whether the termination of aid to Denmark would be detrimental to the security of the United States and the free world. This problem has been thoroughly considered by all interested agencies of the Government. The conclusion is that the cessation of

aid at this time would weaken the defensive position of the free world and that it would indeed be detrimental to U. S. security.

Following are some of the considerations taken into account in arriving at this conclusion:

Denmark, despite a strong element of neutralism in the population, is a member of the North Atlantic Treaty Organization. An effective combat force in Denmark is necessary not only to Danish security but also to the effective defense of the West in the event of aggression. Greenland, the world's largest island and an integral part of the Danish nation, is strategically located for the defense of North America, and continued Danish-U. S. cooperation for the defense of Greenland is essential to the security of the United States. Economic aid from the United States to Denmark has dwindled to negligible amounts, but military aid to Denmark is making an important contribution to the common defense. The Danish forces have been almost entirely dependent upon U. S. military aid for initial equipment and maintenance and without this aid Denmark could not meet its obligations in NATO. The cancellation of the undelivered portion of this program would jeopardize any further military buildup in Denmark and weaken the effectiveness of the forces now in being, and would seriously impair Denmark's cooperation in NATO. It would also have an impact on Danish foreign policy. At the present time Denmark operates a highly effective system of controls over the shipment of strategic materials, including controls over the transshipment of goods passing through Danish territory.

In addition to the tanker, Denmark has permitted the shipment of \$696 worth of subminiature tubes for hearing aids. These tubes were supplied to Poland as replacement parts for hearing-aid devices which a Danish firm had previously sold in that country.

France

Ball bearings valued at \$76,972, of types and sizes listed as embargo items under the Battle Act, have been recently shipped from France to Poland. These bearings were part of a trade agreement signed in October 1952, providing for the movement of about \$18.8 million worth of various commodities from France and about \$20 million worth of various commodities from Poland. The French also have shipped some more of their backlog of prior-commitment items, \$57,095 worth of miscellaneous machinery, valves and cocks. These also went to Poland. Besides these prior-commitment items, \$1,494 worth of spare parts (for materials previously supplied) were shipped to Poland and Hungary.

Italy

Additional Italian prior-commitment items val-

ued at \$1,098,701 have been shipped to three countries of Eastern Europe, as follows:

Ball and roller bearings to Czechoslovakia (\$703,230), Hungary (\$172,000), and Poland (\$143,000).

Rolling Mill parts to Poland (\$80,471).

Norway

Norway has shipped 3,000 metric tons of aluminum ingots, valued at \$1,770,000, to the U.S.S.R. under a barter agreement signed early in 1953. Besides aluminum, the major commodities in the agreement are Norwegian salted herring and hardened whale fats, and Russian wheat, rye, manganese ore, and phosphate rock. On July 31, 1953, I wrote to you concerning Norway's shipments of aluminum to the Soviet bloc under its 1952 trade agreements and recommended that aid be continued to Norway. On August 1 you so ordered. The basic considerations involved in that case are little changed, and need not be repeated in this letter.

United Kingdom

The British have shipped an additional quantity of their prior-commitment items. These new shipments totaled \$893,643. The bulk of them went to Poland, with about \$50,000 going to Hungary and about \$4,000 to Czechoslovakia. The principal items were locomotive equipment, strip mill parts, copper wire, compressors, and miscellaneous equipment. Besides these prior commitments, \$10,199 worth of embargo-type items were shipped from the United Kingdom in small lots to Eastern Europe. These small shipments consisted of mineral oil to Poland and bearings (mainly spare parts) to Poland, Czechoslovakia, and the U.S.S.R.

In this letter I have devoted more space to the Danish tanker than to the shipments from the other countries because of the strategic importance and monetary value of the tanker and because it was the second such vessel to be delivered; also because Denmark—unlike France, Norway, and the United Kingdom—was not discussed in my letter of July 31, 1953, which you sent to the Congress on August 1. But the main conclusion is equally valid in each of these cases: that it would be detrimental to the security of the United States to terminate aid.

It is appropriate to include in this letter a brief report on a strategic cargo that moved from Turkey to Czechoslovakia, even though I do not consider it a case where a government "knowingly permits" a shipment within the meaning of the Battle Act. The cargo was 500 tons of copper, valued at \$450,000. In my judgment the facts of this case do not make it necessary for you to determine whether to continue aid to Turkey.

March 29, 1954

Nevertheless, the strategic value of copper is so great that its movement to the Soviet bloc must be a matter of concern to the Congress as well as to the Executive Branch. Therefore I suggest that you inform the Congress that the shipment took place, that high Turkish authorities investigated it and gave us the facts concerning it, and that Turkey has taken steps to prevent a repetition of the incident. It will be of interest, too, that Turkey has recently become a member of the informal Consultative Group by means of which fifteen nations coordinate their strategic trade controls, and the Turks have given impressive evidence of their cooperation in this program.

Respectfully yours,

HAROLD E. STASSEN
Director of Foreign Operations

International Sugar Agreement

*Statement by Thorsten V. Kalijarvi
Acting Assistant Secretary for Economic Affairs*¹

As Acting Assistant Secretary of State for Economic Affairs I am appearing before this Committee in support of the International Sugar Agreement.² This agreement has our support as a practical effort toward eliminating the recurring crises which upset this worldwide industry. A critical surplus situation now exists which threatens the well-being of a number of friendly countries. The world's capacity to produce sugar has far outrun the world's ability to consume. This agreement is necessary to remove marketing uncertainties while facilitating needed adjustments.

Close at home, the United States has important interests—economic, political, and strategic—in the world's greatest sugar producing and exporting areas in the Caribbean. The security of our considerable trade and investment, our sources of necessary raw materials, and our military bases in that area depend upon the maintenance of a reasonable degree of political stability and closely related economic well-being. A sharp depression of prices and mounting world sugar surpluses would cause extreme economic distress and severe political unrest in this area. In that event U.S. interests would suffer and both international communism and anti-American nationalism would stand to gain. The United States, therefore, has a significant stake in any international action which would help to prevent this eventuality.

The United States was a member of the Sugar Agreement of 1937. While some provisions of

¹ Made before the Senate Foreign Relations Committee on Mar. 18, 1954 (press release 145).

² For an article on the agreement, see BULLETIN of Oct. 26, 1953, p. 542; for a list of signatory governments, see *ibid.*, Dec. 14, 1953, p. 823.

that agreement were suspended at the beginning of World War II, the International Sugar Council was continued as a forum for the discussion of postwar problems. A protocol extending our participation in the Council was considered favorably each year by the Senate Foreign Relations Committee. The last protocol was approved by the Senate on July 27, 1953. You will recall that the annual protocol recognized that a revised international sugar agreement was necessary and should be undertaken. The sugar agreement now before you is the revision contemplated by the protocols, and was negotiated at a world conference last summer attended by 50 countries.

The new sugar agreement is an attempt on the part of both importing and exporting countries to meet the realities of the postwar sugar situation. A surplus of approximately 2.5 million tons exist at the present time, and productive capacity is increasing. World prices receded last year to the lowest levels since 1945 despite the fact that Cuba, the world's largest producer, had restricted its crop by 28 percent and withheld 2 million tons from the world market. The International Sugar Agreement would share this burden by assigning market quotas to the exporting countries and adjusting them periodically to the needs of the market. To safeguard the interests of consumers, exporters are required to maintain stocks and a limit is placed on the extent export quotas may be reduced to accomplish the price objectives of the agreements.

An important consideration for the United States is the fact that this agreement will not change the pattern of our trade in sugar. Imports into the United States are specifically excluded from the agreement. The quantity of sugar available to this market will not be affected. Our domestic sugar legislation will continue to regulate the volume and source of our imports as it does at the present time.

The Department of State, of course, has relied heavily on the views of the Department of Agriculture and the domestic sugar industry as to the importance of the agreement to American producers and processors. We have had several meetings with representatives of the sugar growers and processors. Several representatives served on the U.S. delegation to the World Sugar Conference and were of material assistance in the negotiations. The case for an international sugar agreement appears to be an exceptional one and to be dictated by both domestic and foreign policy considerations, and the Department has been glad to cooperate with the Department of Agriculture and the industry to bring it about.

To date five countries have ratified the agreement and 17 others have notified that they intend to seek ratification. As most of the countries interested in the agreement were anxious that it become effective as of January 1, 1954, it was provided that such notifications would be accepted

in lieu of ratification for the purpose of putting the agreement into effect provisionally for a 4-month period. The United States cooperated with the others in filing a notice that ratification would be sought as rapidly as possible under our constitutional procedures. Of course, no obligations with respect to the agreement were assumed by the United States through this action.

The condition of the world's sugar industry affects the economies of many nations and the livelihood of many peoples.

This agreement, while it will not solve all of the world's sugar problems, is a constructive step toward their solution. The Department of State sincerely believes that it would be to the advantage of the United States both from the standpoint of its domestic sugar interests and from the standpoint of its foreign relations to ratify the agreement, and it is out of this conviction that we respectfully recommend its favorable consideration by this Committee.

PUBLICATIONS

Recent Releases

For sale by the Superintendent of Documents, Government Printing Office, Washington 25, D. C. Address requests direct to the Superintendent of Documents, except in the case of free publications, which may be obtained from the Department of State.

Economic Cooperation. TIAS 2767. Pub. 5156. 3 pp. 5¢.

Agreement between the United States and Norway, amending agreement of July 3, 1948, as amended; Effected by exchange of notes—Signed at Oslo Jan. 8, 1953.

Economic Cooperation. TIAS 2769. Pub. 5158. 4 pp. 5¢.

Agreement between the United States and Italy, amending agreement of June 28, 1948, as amended; Effected by exchange of notes—Signed at Rome Jan. 13, 1953.

Passport Visa Fees. TIAS 2771. Pub. 5160. 5 pp. 5¢.

Exchange of notes between the United States and the Federal Republic of Germany—Dated at Bonn Dec. 12 and 30, 1952, and Jan. 9, 1953.

Relief from Taxation on Defense Expenditures. TIAS 2775. Pub. 5172. 3 pp. 5¢.

Exchange of notes between the United States and Greece—Dated at Athens Feb. 4, 1953.

Economic Cooperation. TIAS 2780. Pub. 5178. 3 pp. 5¢.

Agreement between the United States and Luxembourg, amending agreement of July 3, 1948, as amended; effected by exchange of notes—Signed at Luxembourg Dec. 31, 1952, and Feb. 26, 1953.

North Atlantic Treaty—Status of Forces. TIAS 2846. Pub. 5307. 37 pp. 15¢.

Agreement, with Appendix, between the United States and Other Governments—Signed at London June 19, 1951.

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Press releases issued prior to March 15 which appear in this issue of the BULLETIN are Nos. 123 of March 9 and 129 of March 10.

No.	Date	Subject
†132	3/15	Kalljarvi: Copyright bills
134	3/15	U.N. Administrative Tribunal awards
135	3/15	McLeod: Security
136	3/16	Medal awarded to Tenzing Norkey
137	3/16	Japan: Letter of credence (re-write)
138	3/16	Dulles: Caracas Conference
139	3/16	Dulles: <i>Foreign Affairs</i> article
*140	3/16	Dulles: Death of Harold Hinton
141	3/16	Ecuador-Peru boundary incident
*142	3/16	Transcript of press conference
†143	3/17	U.S.-Canadian communique
144	3/17	Injured Japanese fishermen
145	3/18	Kalljarvi: Sugar agreement
†146	3/18	Murphy: U.S.-Japanese relations
147	3/19	Dulles-Hvasta letters
148	3/19	Atomic energy conversations
149	3/19	Dulles: Foreign Relations Committee

*Not printed.

†Held for a later issue of the BULLETIN.



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THE BERLIN CONFERENCE

A meeting of the Foreign Ministers of the United States, France, the United Kingdom, and the Soviet Union, John Foster Dulles, Georges Bidault, Anthony Eden, and Vyacheslav Molotov, took place in Berlin between January 25 and February 18, 1954. The major problem facing the Berlin Conference was that of Germany. Two publications released in March record discussions at the Conference. . . .

Our Policy for Germany

This 29-page pamphlet is based on statements made by John Foster Dulles, Secretary of State, at the Berlin meeting. It discusses the problem of German unity, Germany and European security, and the significance of the Berlin Conference.

Publication 5408

15 cents

Foreign Ministers Meeting — Berlin Discussions January 25–February 18, 1954

This publication of the record of the Berlin discussions of the four Foreign Ministers is unusual in that a substantially verbatim record of a major international conference is being made available to the public so soon after the close of the Conference. Included in the record is the report on the Conference by Secretary of State John Foster Dulles, delivered over radio and television on February 24, 1954.

Publication 5399

70 cents

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